

Press Release

Harsh Enterprises

June 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs. 14.00 crore bank facilities of Harsh Enterprises. The outlook is '**Stable**'.

Harsh Enterprises (HE), established in 2006, is a partnership firm promoted by Mr. Harbhajan Singh and his son, Mr. Harshpal Singh. The firm is engaged in manufacturing of PVC and PU soles for the footwear industry. The firm has manufacturing unit in Sonipat (Haryana) with installed capacity of 1.15 crore pairs per annum.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management:**

HE has established operational track record of more than a decade which has helped maintain long standing relations with customers and suppliers. The firm also benefits from its experienced Partners who possess around two decades of experience in the sole manufacturing business.

- **Reputed clientele**

Harsh Enterprises caters to a reputed client base including BATA India Ltd., Ashish Trading Co. and Ashirwad Footcare to name a few.

Weaknesses

- **Average financial risk profile**

The firm has average financial risk profile marked by low networth of Rs.9.71 crore as on 31 March, 2017 compared to Rs.9.97 crore as on 31 March, 2016. The gearing stood at 2.23 times as on 31 March, 2017 as against 2.28 times as on 31 March, 2016. The total debt of Rs.21.65 crore comprises term loan of Rs.10.42 crore from banks, working capital loans of Rs.10.52 crore and unsecured loans from partners of Rs.0.71 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 2.11 times in FY2017 as against 2.14 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.45 times in FY2017 as against 1.51 times in FY2016.

- **Working capital intensive operations and stretched liquidity**

The operations of the firm are working capital intensive evident from the Gross Current Asset (GCA) days of 224 in FY2017 and 276 in FY2016. This is mainly on account of stretched debtor days of 186 in FY2017 and 234 in FY2016. Further, the average cash credit utilisation is 93.31 percent for the last six months.

- **Partnership constitution**

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Harsh Enterprises to arrive at the rating.

Outlook: Stable

Acuité believes that Harsh Enterprises will maintain a 'Stable' outlook over the medium term owing to its

experienced management. The outlook may be revised to 'Positive' in case of improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure, working capital management and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	55.85	46.05	58.77
EBITDA	Rs. Cr.	6.22	5.48	6.46
PAT	Rs. Cr.	0.54	0.92	0.65
EBITDA Margin	(%)	11.14	11.91	10.99
PAT Margin	(%)	0.96	2.00	1.10
ROCE	(%)	11.62	12.63	24.24
Total Debt/Tangible Net Worth	Times	2.23	2.28	2.15
PBDIT/Interest	Times	2.11	2.14	1.96
Total Debt/PBDIT	Times	3.47	3.49	3.56
Gross Current Assets (Days)	Days	224	276	237

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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