

Press Release

Harsh Deep Industries (I) Private Limited

June 15, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.14.00 crore bank facilities of Harsh Deep Industries (I) Private Limited (HDIPL). The outlook is '**Stable**'.

Harsh Deep Industries (I) Pvt. Ltd. (HDIPL), an ISO 9001:2008 certified company based at Ahmedabad was incorporated in 2008. The company is promoted by Mr. Hargovind Singh Rajput, Mr. Anjul kumar Rajput, Mr. Ujjawal H. Rajput and Mrs. Budhivati H. Rajput.

HDIPL is engaged in manufacturing and supply of PTFE fabrics & belts, welding & fire blankets, filter bags, sewing threads and fiber glass meshes. The company has installed capacity of 6, 00,000 Meters per anum Located at Kathwada (Ahmedabad).

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr. Hargovind Singh Rajput has over three decades of experience in manufacturing and trading of fabrics. Other Directors possess over a decade of experience in the said line of business through their association with the company since inception.

- **Healthy revenue growth**

The revenues rose to Rs.7.37 crore in FY2017 from Rs.5.57 crore in FY2016 with increased production. Further, in FY2018 (Provisional), the company booked revenue of Rs.13.89 crore. The revenues have grown at a CAGR of 37.00 percent from FY2015 to FY2018 (Provisional).

Weaknesses

- **Above average financial risk profile**

HDIPL financial risk profile is marked by net worth of Rs.3.70 crore as on 31 March, 2017. The gearing (debt - equity) stood at 1.64 times as on 31 March, 2017 and 2.19 times as on 31 March, 2016. The interest coverage ratio showed an increasing trend to 3.10 times in FY2017 from 2.01 in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.66 times in FY2017.

- **Moderate working capital cycle**

The company has a moderate working capital cycle marked by Gross Current Asset (GCA) days of 137 in FY2017 as against 178 in FY2016. The GCA days are marked by high inventory of 66 days and debtor days of 70 in FY2017.

- **Highly competitive industry**

The textile industry in India is highly fragmented and dominated by a large number of organised and unorganised players leading to intense market competition.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of HDIPL for arriving at the rating.

Outlook: Stable

Acuite believes that HDIPL will maintain a 'Stable' outlook in the medium term owing to its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.37	5.57	5.43
EBITDA	Rs. Cr.	0.84	0.72	0.60
PAT	Rs. Cr.	0.25	(0.01)	0.12
EBITDA Margin	(%)	11.33	12.90	10.97
PAT Margin	(%)	3.45	(0.15)	2.27
ROCE	(%)	12.92	13.69	24.94
Total Debt/Tangible Net Worth	Times	1.64	2.19	1.85
PBDIT/Interest	Times	3.10	2.01	2.28
Total Debt/PBDIT	Times	3.11	4.84	3.16
Gross Current Assets (Days)	Days	137	178	154

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President- Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@acuiteinratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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