

Press Release

Harish Textile Engineers Limited (erstwhile Harish Textile Engineers Private Limited)

March 21, 2023



Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuité has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.15.00 crore bank facilities of HARISH TEXTILE ENGINEERS LIMITED (HTEPL).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

About the Company

Harish Textile Engineers Limited (formerly, Harish Textile Engineers Private Limited), based out at Lower Parel, Mumbai was established in the year 2010 by the Gandhi family. It is engaged in designing and manufacturing of textile machines along with manufacturing of polyester staple fibre (PSF) and trading of non-ferrous metals like zinc and nickel. The group caters to domestic market like- Sri Lanka, Malaysia, Bangladesh, Vietnam, Indonesia, Brazil, etc. The group has a dedicated division for research and development, headed by Mr. Kirti Gandhi. The Directors of the company are Mr Ritesh Harshad Patel, Mr Sandeep Kirtikumar Gandhi, Mr Nainesh Trivedi, Mr Hitendra Desai Chimanlal, and Ms Meena Ramesh Mistry.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management and qualified management

HTEPL is a family run business with three generations working side by side. The chairman and promoter Mr. Kirti Shantilal Gandhi is mechanical engineer by qualification and has over five decades of experience in the same industry. Mr. Sandeep Gandhi, son of promoter and Director in HTEPL has an MBA (Finance) and has been looking after the business for the past three decade. Youngest of the family, Mr. Shouman Gandhi has an MBA in Business Entrepreneurship

Increase in revenues along with profitability margins.

The company's operating income stood at Rs. 107.32 Cr. as on 31st March 2022 as compared to Rs. 85.68 Cr. as on 31st March 2021. Further, the operating margin of the stood at 7.25 per cent as on 31st March 2022 as compared to 8.54 as on 31st March 2021. The PAT margin stood at 0.45 per cent on 31st March 2022 as compared to 2.05 per cent 2021. The RoCE of the company stood at 12.77 per cent as on 31st March 2022 as compared to 28.14 per cent as on 31st March 2021.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 161 as on 31st March 2022 as compared to 176 days of 31st March 2021 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 71 days as on 31st March 2022 as compared to 80 days as on 31st March 2021. The inventory period stood relatively low at 52 days as on 31st March 2022 as compared to 62 days 31st March 2021 respectively. Acuité believes that the working capital management of HTEPL's will remain intensive given the nature of the industry.

Rating Sensitivities

None

Material covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.2.70 Cr as on 31st March 2022 as against Rs. 2.74 Cr. long-term debt repayment during the same period. The current ratio stood at 0.89 times as on 31st March 2022, as compared to 0.87 times as on 31st March 2021. The cash and bank balances stood at Rs. 1.68 Cr. 31st March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 161 days as on 31st March 2022 as compared to 176 days as on 31st March 2021. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	107.32	85.68
PAT	Rs. Cr.	0.48	1.75
PAT Margin	(%)	0.45	2.05
Total Debt/Tangible Net Worth	Times	4.65	3.52
PBDIT/Interest	Times	1.59	2.12

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Dec 2022	Proposed Bank Facility	Long Term	9.00	ACUITE BB- (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
14 Sep 2021	Cash Credit	Long Term	6.00	ACUITE BB- (Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	9.00	ACUITE BB- (Issuer not co-operating*)
19 Jun 2020	Cash Credit	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	9.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB- Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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