

## Harmony Laminates Private Limited

March 02, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
<b>Total Bank Facilities</b>	-		

*Details of facilities in Annexure-1*

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reaffirmed & withdrawn the outstanding ratings of 'CARE B+; Stable' (Single B Plus; Outlook: Stable/ A Four) assigned to the bank facilities of Harmony Laminates Private Limited (HLPL) with immediate effect.

The ratings assigned to the bank facilities of HLPL continued to remain constrained on account of modest scale of operations with moderate profit margins, leveraged capital structure and weak debt coverage indicators during FY20 (FY; refers to the period April 01 to March 31). The ratings further remained constrained on account of susceptibility of profit margins to volatility in raw material prices and presence in highly competitive and fragmented laminates & plywood industry. However, the ratings continue to derive strength from experienced promoters in laminates and plywood Industry with established track record of operations.

The above action has been taken at the request of HLPL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### **Modest scale of operations with moderate profit margins**

During FY20, the scale of operations of HLPL declined and continued to remain modest as marked by Total Operating Income (TOI) of Rs.14.99 crore (Rs.22.90 crore in FY19). However, PBILDT margin of HLPL improved by 290 bps and remained moderate at 11.07% in FY20 (8.17% in FY19). PAT margin also improved marginally by 23 bps and remained thin at 1.17% during FY20 (0.94% during FY19). Gross cash accruals remained low at Rs.0.64 crore in FY20 (Rs.0.84 crore in FY19).

##### **Leveraged capital structure and weak debt coverage indicators**

The capital structure of HLPL continue to remain leveraged as marked by overall gearing of 3.59 times as on March 31, 2020 (P.Y.: 3.63 times). The debt coverage indicators deteriorated and continued to remain weak marked by Total Debt to Gross Cash Accruals (TDGCA) of 17.86 years as on March 31, 2020 (P.Y.: 13.06 years) on account of increase in total debt level coupled with low cash accruals during FY20. Interest coverage ratio remained at 1.77 times during FY20 (2.04 times during FY19). As per banker interaction, HLPL has availed moratorium benefit for two months i.e., April, 2020 and May, 2020 on its bank facilities.

##### **Susceptibility of profit margins to raw material price volatility**

Major raw materials for HLPL includes design papers, kraft paper, printed papers, melamine and formaldehyde the prices of which are volatile in nature and is driven by both global and domestic demand and supply. The ability of the company to pass on fluctuations in the raw material price to its customers will remain crucial.

##### **Presence in highly competitive and fragmented laminates and plywood industry**

HLPL operates in highly fragmented and competitive laminates & plywood industry marked by large number of medium sized players. The industry is characterized by low entry barriers due to negligible government policy restrictions, no inherent resource requirement constraints and easy access to customers and suppliers. Also, the presence of big-sized players with established marketing & distribution network results into intense competition in the industry.

### Key Rating Strengths

#### **Experience of promoter in laminates and plywood Industry and established track record of operations**

HLPL has been promoted by Mr. Mahesh Savaliya, Mr. Nilesh Savaliya, Mr. Nayan Savaliya and Mr. Dhaval Savaliya in 2007 and engaged in manufacturing of laminates sheets and electric insulation boards. All directors of HLPL hold experience of more than decade in laminates and plywood industry and are collectively looking after overall operations of the HLPL. Over the years, HLPL has established track record of operations which has helped the company to maintain strong relationship with dealers and supplier of raw materials.

**Analytical approach:** Standalone

**Applicable Criteria**

[CARE's policy on withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Rajkot-based (Gujarat), HLPL was incorporated as private limited company in 2007 by Mr. Mahesh Savaliya, Mr. Nilesh Savaliya, Mr. Nayan Savaliya and Mr. Dhaval Savaliya. HLPL is engaged in business of manufacturing heavy duty decorative laminate sheets and electric insulation boards from its facilities located at Metoda GIDC, Rajkot with an installed capacity of 8.28 lakh heavy duty decorative laminates sheets per annum. HLPL sells its products under the brand names of 'Harmony', 'Showfine' and 'Evershine'. It is an ISO 9001: 2008 certified company.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	22.90	14.99
PBILDT	1.87	1.66
PAT	0.21	0.17
Overall gearing (times)	3.63	3.59
Interest coverage (times)	2.04	1.77

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL has put ratings assigned to the bank facilities of HLPL in to 'Non-Cooperation' vide press release dated April 14, 2020 on account of non-cooperation by HLPL with CRISIL's efforts to undertake a review of the rating outstanding.

**Any other information:** Not Applicable

**Rating History:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working capital Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Working capital Term Loan	LT	-	-	1)CARE B+; Stable (03-Apr-20)	-	1)CARE BB-; Stable (11-Mar-19)	-
Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
2.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE B+; Stable (03-Apr-20)	-	1)CARE BB-; Stable (11-Mar-19)	-

**Annexure 3: Complexity level of various instruments rated for this Firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Working capital Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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