

## Harsha International

January 06,2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.00 (Enhanced from 25.00)	CARE D (Single D )	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
<b>Total Bank Facilities</b>	<b>40.00</b> <b>(Rs. Forty Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating of bank facilities of Harsha international was earlier placed under Issuer Not Cooperating (INC) as the firm did not provide requisite information for monitoring the rating of the firm. The firm has now shared the requisite information with CARE and accordingly rating has been removed from INC.

The rating assigned to bank facilities of Harsha International (HI) factors in continuing on-going delays in servicing its debt obligations due to stretched liquidity position. As per term loan statements received from the firm for the period August 2021 to November-2021, delays are observed and lender has charged penal interest to the firm towards the same. The rating also continues to be tempered by small scale of operations and constitution of entity as the partnership firm.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Delay free track record of repayment of debt obligations continuously for more than 90 days

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Ongoing delays in servicing debt obligations

The firm has ongoing delays in servicing its debt obligations during the period from August 2021 to November 2021. The delays is on account of stretched liquidity position coupled with the slowdown in the hospitality business amid Covid-19.

#### Small scale of operations

The firm's commercial operations started in January 2019 and it has registered a turnover of Rs.4.32 Cr in the FY21(Prov.) which is its first year of operations, however total operating income has been lower when compared to the expectations on account of lockdown due to covid -19.The hotel was not operational in the first wave till mid of July 2020 and in the second wave till July 2021 .The bookings of the firm has been improved in the recent months on account of increase in travel due to lifting of travel restrictions but the same is yet to be seen on account of new variant of covid-19 spreading in India.

#### Constitution of entity as the partnership firm

The firm being a partnership firm is exposed to inherent risk of capital withdrawal by partners due its nature of constitution. Any substantial withdrawals from capital account would impact the net worth and thereby the gearing levels. However, in FY21(Prov.) the partners have infused around Rs.0.63 Cr

### Key Rating Strengths

#### Tie up with Concept Hospitality Private Limited (The Ferns Hotels) for management of hotel operations

Harsha International (HI) has entered an agreement with Concept Hospitality Private Limited (The Ferns Hotel) to manage the day-to-day operations of the hotel for 15 years and thereafter renewable with mutual consent of parties hereto for further 15 years based on mutually agreed conditions. HI will provide all the facilities for the operation of hotel. The business model is based on the profit sharing between the parties. The firm will make payment of interest and principal on term loan through escrow account from the associate concern wind mill projects.

#### Liquidity: Poor

Liquidity is marked by tightly matched accruals to repayment obligations and low cash and bank balance of Rs. 0.06 crore as on March 31, 2021 (Prov.). The firm has availed GECL loans of Rs.6.64 Cr in order to meet its operational liabilities effected due to covid-19.

#### Analytical approach: Standalone

#### Applicable Criteria

[Policy on default recognition](#)

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

[Financial Ratios – Non financial Sector](#)  
[Policy On Curing Period](#)  
[Hotel](#)

### About the Company

Harsha international (HI) was established in the year 2015. It is promoted by is promoted by Mr Maharudrappa along with his spouse Ms Annapurneswari. It operates hotel and restaurant in the name of “Harsha The Fren” hotel in Shivamogga Karnataka having 88 rooms and it offers he hotel offers a multi cuisine restaurant, lounge bar, meeting & banquet halls with modern amenities for conferences and social events.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (Prov.)	30-11-2021(Prov.)
Total operating income	0.00	4.32	NA
PBILDT	0.00	1.11	NA
PAT	0.00	-6.56	NA
Overall gearing (times)	2.06	3.50	NA
Interest coverage (times)	0.00	0.23	NA

A: Audited; Prov.: Provisional || NA: Not Available

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September 2026	40.00	CARE D

### 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	40.00	CARE D	1)CARE D; ISSUER NOT COOPERATING* (10-May-21)	-	1)CARE D; ISSUER NOT COOPERATING* (28-Feb-20)	1)CARE BB-; Stable (30-Nov-18) 2)CARE B+; Stable (06-Nov-18)

\* Long Term

### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
<b>A. Financial covenants</b>	Nil
<b>B. Non-financial covenants</b>	Nil

### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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