

Harihar Industries (Revised)

October 19, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.20	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.40	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	9.60 (₹ Nine Crore and Sixty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Harihar Industries (HRI) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on HRI's bank facilities will now be denoted as **CARE B+; Stable; Issuer Not Co-operating/CARE A4; Issuer Not Co-operating***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into consideration leveraged capital structure and weak debt coverage indicators during FY22 (Audited, refers to period April 01 to March 31). Furthermore, ratings are also constrained on account of moderate scale of operations with thin profitability, partnership nature of constitution, its presence in a highly competitive and fragmented cotton industry and susceptibility of its profit margins to cotton price fluctuation along with seasonality associated with the cotton industry.

The ratings, however, derive strength from vast experience of partners and its proximity to cotton growing area of Gujarat.

Detailed description of the key rating drivers

Key Rating weaknesses

Leveraged capital structure and weak debt coverage indicators

Capital structure remained leveraged marked by overall gearing of 3.23x as on March 31, 2022 as against 4.13x as on March 31, 2021. Improvement was mainly on account of reduction in total debt level as on balance sheet date. Debt coverage indicators also improved but continued to remain weak marked by TDGCA at 15.88 times for FY22 as against 19.53 times for FY21 on account of decrease in total debt level as on balance sheet date. However, interest coverage ratio remained stable at 1.57 times for FY22 as against 1.65 times for FY21.

Moderate scale of operations with thin profitability

During FY22, Total operating Income (TOI) has declined by 56% y-o-y at Rs. 31.84 crore as against Rs.72.09 crore during FY21 mainly on account of lower demand from end customers.

However, Profit margins improved but continued to remain thin on account of low value addition nature of business. PBILDT margin improved and stood at 2.34% in FY22 as against 0.93% in FY21, mainly on account of decrease in raw material costs incurred during the year. PAT margin remained thin at 0.28% in FY22 as against 0.08% in FY21. GCA remained low at Rs.0.27 crore for FY22 as compared to 0.37 crore in FY21.

Partnership nature of constitution

HRI being a partnership firm is exposed to inherent risk of the withdrawal of partners' capital and also limits the firm's ability to raise capital. Further during FY22, partners have withdrawn capital amounting to Rs.0.53 crore.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Susceptibility of profit margins to cotton price fluctuation along with seasonality associated with the cotton industry

HRI's profitability is exposed to fluctuation in price of its key raw material, cotton. Cotton being an agricultural commodity, its price is volatile in nature and depends upon factors like area under production, yield, and vagaries of monsoon, demand supply scenario and minimum support price decided by the government. Further, agro based industries have seasonality associated with them depending on availability of raw material during a particular harvesting period.

Presence in highly fragmented and competitive cotton industry

HRI operates in an industry characterized by high fragmentation and intense competition on account of presence of a large number of small and medium-scale units due to minimal technological and financial investment requirement. Furthermore, due to limited value addition, players present in this segment operate at a very low bargaining power against its customers as well as suppliers.

Key Rating Strengths

Experienced partners

HRI was constituted as a partnership firm in 2014. Currently, the firm is managed by Mr. Pushkar Patel, Ms. Dharmishtha Patel, Mr. Pradip Patel, Mr. Avibhram Patel and Mr. Vinod Patel. Mr. Vinod Patel has an experience of more than two decades in the cotton ginning industry while other partners have experience of more than five years in this industry. Collectively, all partners look after the overall operations of firm and take strategic decisions.

Proximity to cotton growing area

The manufacturing facility of HRI is located in Mehsana region of Gujarat. HRI's presence in the cotton producing region results in benefit derived from a lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at competitive prices and consistent demand for finished goods resulting in sustainable revenue visibility.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the firm

HRI was promoted in 2014 as a partnership firm; currently it has been owned and managed by Mr. Pushkar Patel, Ms. Dharmishtha Patel, Mr. Pradip Patel, Mr. Avibhram Patel, Mr. Vinod Patel. HRI is engaged in ginning and pressing of raw cotton. The firm's -installed capacity of Cotton bales stood at 325 MT (Metric tonnes) and of Cotton seedcake at 211 MT per day as on March 31, 2021. HRI is operating from its sole manufacturing unit located at Kadi (Gujarat). The firm caters to the demands of textile and spinning mills mainly in Gujarat and Maharashtra.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov.)
Total operating income	72.09	31.84	NA
PBILDT	0.67	0.75	
PAT	0.06	0.09	
Overall gearing (times)	4.13	3.23	
Interest coverage (times)	1.65	1.57	

*A: Audited; Prov.: Provisional, NA: Not available

Status of non-cooperation with previous CRA: CRISIL has put ratings assigned to the bank facilities of HRI in to 'Non-Cooperation' vide press release dated April 25, 2022 on account of non-cooperation by HRI with CRISIL's efforts to undertake a review of the ratings outstanding.

ACUITE has put ratings assigned to the bank facilities of HRI in to 'Non-Cooperation' vide press release dated December 03, 2021 on account of non-cooperation by HRI with ACUITE's efforts to undertake a review of the ratings outstanding.

Any other information: None

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

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	30/09/2020	0.20	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	2.40	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	0.20	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (08-Sep-21)	1)CARE BB-; Stable (12-Jun-20)	1)CARE BB-; Stable (15-May-19)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (08-Sep-21)	1)CARE BB-; Stable (12-Jun-20)	1)CARE BB-; Stable (15-May-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	2.40	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable / CARE A4 (08-Sep-21)	1)CARE BB-; Stable / CARE A4 (12-Jun-20)	1)CARE BB-; Stable / CARE A4 (15-May-19)

Annexure 3: Covenants of rated instrument/facility: Not Applicable**Annexure 4: Complexity level of various instruments rated for this firm**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	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 Limited 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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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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