

Hardware Trading Corporation

March 24, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	10.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	10.00 (Rs. Ten Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from **Hardware Trading Corporation (HTC)** to monitor the rating vide e-mail communications/letters dated October 07, 2021, March 01, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, HTC has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on HTC's bank facilities will now be denoted as **CARE A4+; ISSUER NOT COOPERATING***.

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 rating to the bank facilities of Hardware Trading Corporation (HTC) factors in moderate scale of operations with moderate profit margins and working Capital intensive operations. The rating also factors in its operations in highly competitive and fragmented industry, foreign exchange fluctuation risk and partnership nature of constitution of the firm. The ratings however, derive strength from long and established track record of the firm with experienced promoters, diversified customer and suppliers, comfortable capital structure and debt coverage indicators.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2021 the following were the rating strengths and weaknesses (updated for the information available from Annual Report of FY21).

Key Rating Weaknesses

Moderate scale of operations with moderate profit margins

The overall scale of operation of the firm has improved by 48.19% to Rs.80.53 crore in FY21 (vis-à-vis Rs.54.19 crore in FY20) owing to high demand for the chemical products. Further, the firm operates on thin profit margins due to trading nature of operations. However, the PBILDT margin has improved to 4.11% in FY21 (as against 3.76% in FY20) primarily due to decrease in cost of tradable goods prices on the back of significant increase in the prices of the specialized chemicals traded during the year. The PAT margin stood low in the range of 1.28%-3.77% during FY18-FY21. The PAT margin has declined to 3.66% in FY21 (vis-à-vis 3.77% in FY20).

Highly working capital-intensive nature of operations

The operations of HTC are highly working capital intensive in nature on account of funds being blocked in receivables and inventory. The collection period though improved remained stretched at 112 days in FY21 while the inventory holding period remained moderate at 30 days in FY21. Against the same, HTC receives liberal credit period of 30-90 days from its suppliers which are backed by letter of credit given to them. Hence, the operating cycle remained moderate at 69 days in FY21.

Operations in highly competitive and fragmented industry

The firm operates in the chemical and battery trading industry which is a fragmented industry with high level of competition from both the organized and largely unorganized sector. The highly fragmented and intense completion in the industry puts pressure on the profit margins of the firm.

Foreign exchange fluctuation risk

HTC continues to remain exposed to foreign exchange fluctuation risk, given ~30% of its raw material requirements being imported from China, and Taiwan. Moreover, the firm does not undertake any hedging for its foreign currency exposure, nor do its business operations serve as a natural hedge to it given the absence of exports.

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

Partnership constitution of firm

Being a partnership firm, HTC has inherent risk of withdrawal of capital at the time of personal contingency. Furthermore, it has restricted access to external borrowings where networth as well as creditworthiness of the proprietor are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the firm.

Key Rating Strengths

Long and established track record of the firm with experienced promoters

HTC possesses established track record for more than two decades of operations in the chemical and batteries trading and is currently managed by Mr. Mahesh Vora, Mr. Pankaj Vora and Mr. Vishal Vora who possesses an average experience of more than two decades in this industry.

Established relationship with diversified customers and suppliers

HTC has established long-term relationships with its various customers who primarily include wholesale traders and manufacturers. Moreover, the customer and supplier profile of the firm is diversified with the top 5 comprising 14.53% and 16.08% in FY20 respectively.

Comfortable capital structure and debt coverage indicators

The capital structure of HTC has stood comfortable with overall gearing stood at 0.28x as on March 31, 2021 given the low reliance on external debt and moderate tangible networth base. Given the low reliance on fund-based limits with thin profit margins, the debt coverage indicators also remained comfortable.

Liquidity: Adequate

Liquidity position remained adequate marked by sufficient cushion in accruals against its repayment obligations. The free cash and bank balance and liquid investments stood at Rs.4.40 crore as on March 31, 2021. The average utilization of the non-fund based working capital borrowing stood at 70% during past 3 months ended March 31, 2021. Cash flow from operating activities stood positive at Rs.8.19 crore in FY21 (vis-à-vis positive at Rs.1.87 crore in FY20). Current ratio and quick ratio stood comfortable at 2.06x and 1.64x respectively as on March 31, 2021 (vis-à-vis 2.42x and 2.13x respectively as on March 31, 2020).

Analytical approach: Standalone

Applicable Criteria

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

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

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

[CARE's Methodology for Short-term Instruments](#)

[Rating Methodology - Wholesale Trading](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

M/s. Hardware Trading Corporation (HTC) was originally established in the year 1978 as a partnership firm engaged in trading of bearing machines, later in 1991 the firm started trading of batteries i.e. UPS batteries and car batteries, further in 2003 the firm has also started trading of various types of chemicals i.e. industrial chemicals, specialty chemicals, polymers and pharma intermediaries which find application in the pharmaceutical, paints, plastic, synthetic fibers, inks, tyre and other similar industries. HTC generates its revenue entirely from the domestic market with income from trading of batteries and chemicals. HTC procures 30% of the chemicals through imports from China and Taiwan and rest 70% is procured domestically. HTC has registered office in Kolkata and operates from its controlling office and warehouses in Mumbai, Maharashtra.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	54.34	80.53	NA
PBILDT	2.19	3.31	NA
PAT	2.04	2.94	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	23.56	10.84	NA

A: Audited; NA; Not available

Status of non-cooperation with previous CRA: CRISIL B-; Stable / CRISIL A4; Issuer did not co-operate; Based on best available information

Any other information: Not applicable

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

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

Complexity level of various facilities rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Facilities	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A4+; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the 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	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A4+ (06-Apr-21)	1)CARE A4+ (04-Sep-20)	1)CARE A4; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE A4+ (04-Feb-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities – Nil

Annexure 4: Complexity level of various facilities rated for this company

Sr. No	Name of facilities	Complexity level
1	Non-fund-based - ST-Letter of credit	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 facilities: 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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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.

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