



Rating Rationale

Harisons Automobiles

18 Jun 2018

Brickwork Ratings assigns ratings for the Bank Loan facilities aggregating Rs. 29.99 Crs. of Harisons Automobiles

Particulars:

Facility	Amount to be rated	Tenure	Rating Assigned [^]
Fund Based	29.99	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook : Stable)
Total	29.99	INR Twenty Nine Crores and Ninety Nine Lac Only	

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials for FY15 to FY17, provisional for FY18 and projections of FY 19 and FY 20 and publicly available information and information / clarifications provided by the management of the company.

The rating has inter – alia factored in the experience of partners, moderate scale of operations and efficient conversion cycle. However, the rating is constrained by cyclical nature of business, limited geographical presence, low profitability margins, stretched liquidity and high gearing ratio.

Key Rating Drivers

Credit Strengths

- **Experienced partners** – The partners of firm are qualified and have experience in the line of business for more than two decade and have gained thorough knowledge of the market. Firm is the authorised dealer of Maruti Suzuki since 1996.



- **Moderate Scale of operation** - The total operating Income of company was Rs. 107.61 Crs in FY 16 which increased to Rs. 142.29 Crs in FY 17. On provisional basis, the firm has reported Total Operating Income of Rs. 138.41 Crs in FY18.

Credit Weakness

- **Exposure to risks related to business**- The automobile industry is cyclical and historically has experienced downturns characterized by oversupply and weak demand. Many factors affect the industry, including general economic conditions, consumer confidence, personal discretionary spending levels, interest rates and credit availability. The automobile industry also experiences seasonal variations in revenue and industry also has low profitability margins.
- **Stretched Liquidity** – Current ratio which stood at 0.91x in FY 17 which has declined from 1.03x in FY 16 as the company has availed working capital facilities and dealer finance limits from Bank. The operations of the company are working capital intensive which necessitate working capital funding from Banks as the Tangible Net worth is low.
- **High Gearing Ratio** - Firm has high Gearing Ratio (i.e TOL/TNW) of 6.66x in FY17 as company has low tangible net worth of Rs. 3.16 Crs.

Rating Outlook: Stable

BWR believes the Harisons Automobiles business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is a sustained improvement in the revenues and profits of the company. The rating outlook may be revised to 'Negative' if the revenues and profits reduce due to non implementation of the same.

About the Company

Harisons Automobiles is a partnership concern incorporated on 05.07.1996 is an authorised dealer of Maruti Suzuki. Firm has 5 showrooms in Panipat which includes one showroom of Nexa. Mr. Prem Sagar Vij, Mr Dev Sagar Vij and Mr. Chandan Vij are the partners of the firm. Firm has a warehouse at Village Karhans GT Road, Panipat.

Company Financial Performance



Result Type	Unit	31/Mar/2016	31/Mar/2017
		Audited	Audited
Total Operating Income	Rs in Crs	107.61	142.29
OPBDIT	Rs in Crs	3.14	4.32
PAT	Rs in Crs	0.86	0.98
Tangible Net Worth	Rs in Crs	4.22	3.16
TOL/TNW	Times	3.68	6.66
Current Ratio	Times	1.03	0.91

Status of non-cooperation with previous CRA: NA

Rating History for the last three years (including withdrawn/suspended ratings)

Facility	Tenure	Rating Assigned (2018)		Rating History		
		Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based	Long Term	29.99	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)	-	-	-
Total		29.99	INR Twenty Nine Crores and Ninety Nine Lac Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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