Rating Rationale

Harman Cottex

2 May 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 14.00 Crores of Harman Cottex.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2018)	Present
Fund Based	14.00	14.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed
Total	14.00	14.00	INR Forteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The reaffirmation of rating has factored, inter alia, stable financial performance of the firm, track record and experience of the promoter and locational advantage of the firm. However the rating is constrained by inherent risk of proprietorship constitution of business, modest net-worth and susceptibility of the firm's profitability margins to fluctuations in raw material prices.

Description of Key Rating Drivers

Credit Strengths:

- The financial performance of the firm has remained stable with a revenue of Rs. 91.03 Cr for FY17-18 vis-a-vis Rs. 90.00 Cr for FY 16-17 and a net profit margin of 0.82% for FY 17-18 vis-a-vis 0.85% for FY 16-17. On a provisional basis, the firm has registered a revenue of Rs. 95.70 Crores for FY 18-19.
- Promoter has more than thirty years experience in the cotton industry. Over the years of operation

the firm has established business relationship with customers and receives repeat orders from the same.

- The firm is located in Khargone, Madhya Pradesh which is one of the key cotton growing areas, enabling steady availability of the raw material.

Credit risk:

- Modest net worth (proprietor's capital) amounting to Rs. 7.41 Cr as on 31.03.2018.
- Cotton being an agricultural commodity, its availability depends on monsoon. Moreover, government interventions and fluctuations in global cotton output may result in fluctuations in cotton prices and thereby profitability of the firm.
- Cotton industry is highly fragmented with numerous players resulting in intense competition.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Harman Cottex** 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 the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Harman Cottex was established in Apr, 2007 and is a proprietorship concern of Mr. Rasdeep Chawla. The firm is engaged in Ginning and Pressing of Cotton and have its manufacturing unit at Bistan Road, Khargone, Madhya Pradesh with an installation of 44 Ginners processing 30,0000 quintal of seed cotton every year.

Firm Financial Performance

Harman Cottex has registered a net profit of Rs. 0.75 Crores on a revenue of Rs. 91.03 Crores for FY 17-18 as against a net profit of Rs. 0.76 Crores on a revenue of Rs. 90.00 Crores for FY 16-17. The proprietors capital is Rs. 7.41 Crores as on 31.03.2018. On a provisional basis company has registered a revenue of Rs. 95.70 Crores for FY 18-19.

Liquidity Position: The liquidity position of the firm is marked by current ratio of 1.47x as on March 31, 2018. The firm has cash and bank balance of Rs.0.37 Crore as on March 31, 2018.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	30, April, 2018	2017	2016
1	**Fund Based*** Cash Credit (Stock) Cash Credit (Book Debts) EPC FBP	Long Term	9.50 7.50 (5.00) (5.00)	BWR BB (Pronounced as BWR Double B) Stable Reaffirmed	BWR BB (Pronounced as BWR Double B) Stable Assigned	-	-
*Total Maximum Limit -Rs. 14.00 Crs							
	Total		**14.00**	**₹ Forteen Crores Only**			

Status of non-cooperation with previous CRA (if applicable) - NA
Any other information - NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	Rs. Cr	91.03	90.00
EBITDA	Rs. Cr	1.72	1.45
PAT	Rs. Cr	0.75	0.76
Proprietor's capital	Rs. Cr	7.41	6.89
Total Debt/Proprietors capital	Rs. Cr	1.52	2.26
Current Ratio	Rs. Cr	1.47	1.46

Hyperlink/Reference to applicable Criteria

- General Criteria

- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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