

## Rating Advisory

May 30, 2020 | Mumbai

### Hari Om Roofing Industries

#### Advisory as on May 30, 2020

This rating advisory is provided in relation to the rating of Hari Om Roofing Industries

The key rating sensitivity factors for the rating include:

- Working capital management
- scale of operations and operating profitability
- Volatility of raw material

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Hari Om Roofing Industries (HORI) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If HORI continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the firm

HORI was set up as a proprietorship firm by Mr. Harish kumar in 2010. The Coimbatore-based firm manufactures roof sheets with a capacity of 1000 tons per month

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## Rating Rationale

April 30, 2019 | Mumbai

### Hari Om Roofing Industries

'CRISIL BB/Stable/CRISIL A4+' assigned to bank debt

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.4.5 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB/Stable (Assigned)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Assigned)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has assigned its '**CRISIL BB/Stable/CRISIL A4+**' ratings to the bank facilities of Hari Om Roofing Industries (HORI).

The ratings reflect the extensive experience of the proprietor, along with an established track record and market position, in the steel industry, and an above-average financial risk profile. These strengths are partially offset by exposure to risks related to volatility in steel prices, and intense competition.

#### Analytical Approach

Unsecured loans of at Rs 91 lakh (as on March 31, 2019) extended by the proprietor have been treated as neither debt nor equity. That's because these loans bear low interest and are likely to remain in the business over the medium term.

#### Key Rating Drivers & Detailed Description

##### **Strength:**

##### **\* Experience of the proprietor**

The proprietor has an experience of nearly a decade in the steel industry. This has given him a strong understanding of local market dynamics, and helped to develop a healthy relationship with customers and suppliers.

**\* Above-average financial risk profile:** The gearing was comfortable, estimated at 0.09 time as on March 31, 2019. Debt protection metrics are moderate, with interest coverage and net cash accrual to adjusted debt ratios estimated at 6.07 times and 2.26 times, respectively, for fiscal 2019.

##### **Weakness:**

**\* Exposure to volatility in steel prices and intense competition in the steel industry:** Low initial investment and ease of operations have led to proliferation of innumerable small entities in the steel industry. Intense competition from these players limits the pricing flexibility and bargaining power of players like HORI. They also remain vulnerable to any major capacity additions made by large integrated players.

##### Liquidity

Liquidity is comfortable, driven by sufficient cash accrual and moderate bank limit utilisation. Cash accrual is estimated at Rs 1.38 crore for fiscal 2019, but is expected to rise to Rs 1.5-2.0 crore per fiscal over the medium term, which would comfortably cover debt obligation of Rs 0.45 crore per fiscal. Average utilisation of the fund-based limit of Rs 3.5 crore was 39% over the 12 months through March 2019.

## **Outlook: Stable**

CRISIL believes HORI will continue to benefit from the long standing experience of the proprietor. The outlook may be revised to 'Positive' in case of substantial growth in cash accrual and networth. The outlook may be revised to 'Negative' in case of significant capital withdrawal by the proprietor, or adverse movement in steel prices leading to a sharp fall in profitability.

## **About the Firm**

HORI was set up as a proprietorship firm by Mr. Harish kumar in 2010. The Coimbatore-based firm manufactures roof sheets with a capacity of 1000 tons per month.

## **Key Financial Indicators**

<b>Particulars</b>	<b>Unit</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>Rs. Cr.</b>	<b>56.46</b>	<b>40.61</b>
<b>Profit After Tax (PAT)</b>	<b>Rs. Cr.</b>	<b>1.18</b>	<b>0.83</b>
<b>PAT Margin</b>	<b>%</b>	<b>2.1</b>	<b>2.1</b>
<b>Adjusted Debt/Adjusted Networkth</b>	<b>Times</b>	<b>0.25</b>	<b>0.37</b>
<b>Interest coverage</b>	<b>Times</b>	<b>6.43</b>	<b>5.85</b>

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	3.5	CRISIL BB/Stable
NA	Letter of Credit	NA	NA	NA	1	CRISIL A4+

## Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	3.50	CRISIL BB/Stable		--		--		--		--	--
Non Fund-based Bank Facilities	LT/ST	1.00	CRISIL A4+		--		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	3.5	CRISIL BB/Stable	--	0	--
Letter of Credit	1	CRISIL A4+	--	0	--
<b>Total</b>	<b>4.5</b>	<b>--</b>	<b>Total</b>	<b>0</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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