

Harekrushna Cottex

Instrument	Amount Rated	Rating Action
Cash Credit	Rs 4.50 crore	[ICRA]B assigned
Term Loan	Rs 1.42 crore	[ICRA]B assigned

ICRA has assigned the rating of [ICRA]B (pronounced ICRA B) to the Rs. 4.50 crore¹ cash credit facility and Rs.1.42 crore term loan facilities of Harekrushna Cottex (HC)².

The assigned rating is constrained by the limited track record of firm's operation as the manufacturing unit is commissioned in February, 2016; the limited value added nature of operations which coupled with the highly competitive and fragmented industry structure, arising from low entry barriers, are expected to pressurize the profitability margins. The rating is also constrained by the vulnerability of the firm's profitability, to the adverse movements in raw cotton prices, which are subject to seasonality and crop harvest and the firm's exposure to regulatory risks with regard to MSP for raw cotton and imposition of any restriction on cotton exports. ICRA also notes that with HC being a partnership firm, any substantial withdrawal from capital account by the partners would adversely impact the net worth and thereby the firm's capital structure.

The rating, however, favourably factors in long standing experience of the partners in the cotton industry and location advantage of the firm by virtue of its location in the cotton producing belt of Rajkot (Gujarat) giving easy access to high quality raw cotton.

Company Profile

Harekrushna Cottex (HC), promoted by Mr. Sanjay Bhayani, Mr. Sagar Bhayani, Mr. Suresh Bhayani, Mr. Bhupat Bhandari and Mr. Bharat Kakadiya, was established as a partnership firm in April 2015. The firm is engaged into manufacturing of cotton bales and cotton seeds through ginning and pressing of raw cotton; the production capacity is 100 bales per day.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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