

Hisar Metal Industries Limited

August 17, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	30.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	50.00 (Rs. Fifty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 08, 2020, placed the ratings of Hisar Metal Industries Limited (HMIL) under the 'issuer non-cooperating' category as HMIL had failed to provide information for monitoring of the rating. HMIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated August 11, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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 ratings have been revised on account of a decline in the total income of the company during the year FY21 (refers to the period from April 01, 2020 to March 31, 2021). Moreover, CARE is unable to conduct appropriate credit risk assessment in the absence of adequate information required to review the ratings.

Detailed description of the key rating drivers

At the time of last rating on July 08, 2020 the following were the rating strengths and weaknesses (updated for the information publicly available):

Key Rating Weaknesses

Declining operational performance: The total operating income moderated from Rs. 178.11 crore during FY20 (refers to the period from April 01, 2019 to March 31, 2020) to Rs. 153.08 crore in FY21. Further, the company reported a decline in the total operating income to Rs. 46.88 crore in Q1FY22 (refers to the period from April 01, 2021 to June 31, 2021) by 10% from Rs. 52.36 crore in Q4FY21. The PBILDT margin further declined to 8.70 % in Q1FY22 (Q4FY21: 10.22%).

Supplier concentration risk: HMIL is highly prone to the supplier concentration risk and its revenue and margins are susceptible to any major change in the sales policy of its supplier. However, the long term relationship with the supplier provides the comfort of constant supply of the raw material.

Working capital intensive operations: HMIL's operations are working capital intensive in nature. The creditors days increased to 52 days as on March 31, 2021 (PY: 28 days). The debtors days increased to 83 days as on March 31, 2021 (PY: 72 days).

High competition and inherent cyclicality in the steel industry: The industry for stainless steel products is highly fragmented with large number of local unorganized and organized players in the market. The steel industry is cyclical with prices driven by demand and supply conditions which directly expose the cash flows and profitability of companies to the volatility in the steel prices.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Key Rating Strengths

Experienced promoters: The promoters of HMIL have considerable experience in the field of manufacturing CR steel. Mr. Abhiram Tayal, 64 years old, managing director of the company since 1995, is having an experience of around 39 years in cold rolled stainless steel industry and looks after the operational functions of the company. Mr. M. P. Jindal, chairman of the company, is a graduate, with 44 years of experience and looks after operations and finance function of the company. They have also infused funds into the company time and again in the form of quasi equity. The company will continue to benefit from its promoter's extensive experience and their understanding of the dynamics of the market.

Long track record of operations with a diversified customer base: HMIL has been into manufacturing of stainless steel strips since 1990 and has built established long term relationships with its customers reflected in repetitive orders from them. Sales of the company are spread over a large customer base which reflects the diversified operations and eliminates the risk of customer concentration.

Average financial risk profile: The overall gearing of the company improved marginally to 1.90x as on March 31, 2021 (PY: 2.29x) on account of increase in the profitability. The interest coverage ratio improved marginally from 2.37x in FY20 to 2.93x in FY21.

Liquidity : Adequate

The current ratio of HMIL as on March 31, 2021 is 1.39x (PY: 1.50x). The cash and cash equivalents stood at Rs. 3.40 cr as on March 31, 2021 (PY: 3.17 cr). The GCA of the company during FY21 remained at Rs. 7.56 cr (PY: Rs. 6.05 cr).

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Liquidity Analysis of Non-financial sector entities](#)

About the Company

HMIL was incorporated in May 1990 and is engaged in the business of manufacturing cold rolled stainless steel strips at its factory in Hisar, Haryana having an installed capacity of 19,200 MT as on March 31, 2018. The company was originally incorporated as private limited company but was subsequently converted in Public Limited Company in 1992. It is listed on Delhi Stock Exchange and Bombay Stock Exchange. The company's products find application in automotive parts, watches, camera, clamps, floppy disks, fiber optics, pens, packaging, needles, rings, thermometers, etc. The company is also engaged in job work which includes the reduction of thickness of coils and strips.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)*
Total operating income	178.11	153.08
PBILDT	12.27	14.55
PAT	3.91	5.41
Overall gearing (times)	2.26	1.90
Interest coverage (times)	2.37	2.93

A: Audited *Detailed audit report not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	30.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/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.	Fund-based - LT-Cash Credit	LT#	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (25-Nov-19) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE BBB-; Stable (04-Jul-18)
2.	Non-fund-based - ST-BG/LC	ST#	30.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (08-Jul-20)	1)CARE A4+; ISSUER NOT COOPERATING* (25-Nov-19) 2)CARE A3; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE A3 (04-Jul-18)

*Issuer did not cooperate; Based on best available information; # Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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