

The Indian Hume Pipe Company Limited

February 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable / CARE A2 and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A2 and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable/CARE A2' [Triple B Plus; Outlook: Stable/ A Two] assigned to the bank facilities of The Indian Hume Pipe Company Ltd with immediate effect. The above action has been taken at the request of The Indian Hume Pipe Company Ltd. and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

Rating sensitivities: Not applicable

Analytical approach: Standalone

Outlook: Stable

The company's business risk profile is expected to remain steady supported by healthy revenue visibility backed by continuous flow of orders and relative geographic and counterparty diversity in the order book.

Detailed description of the key rating drivers:

Key Strengths

Established track record with demonstrated project execution capabilities

IHP has over nine decades of experience in the Engineering, procurement, construction (EPC) business in India. Over the years, IHP has been able to establish its position as one of the major players providing EPC services in water supply, irrigation and sewerage-related projects. The company has an extensive track record in execution of these projects in different parts of the country with presence in 12 States.

The company has been promoted by Mr. Rajas R. Doshi and the promoters are well supported by other Directors and professional management.

Satisfactory and geographically diversified order book

IHP has an order book position of around Rs.4,200 crore as on October 31, 2023 (Rs.4,655 crore as on Aug. 31, 2022) which at a gross billing level for FY23 provides revenue visibility for the next two and half years. Majority of the orders are to be executed over a period of 24-30 months, thereby, providing medium term revenue visibility. The company has long presence in the water supply and related segment and hence about 90% of orders are towards domestic water supply while remaining 10% is towards irrigation.

The order book is geographically well diversified across 12 states in the country with majority of orders from states of Madhya Pradesh, Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh, Odisha and Tamil Nadu. The order book is majorly from government entities with share of central to State close to 20:80.

Modest financial performance during FY23 and 9MFY24

The total operating income of the company was stable at Rs.1,543 crore during FY23 (Rs.1520 crore during FY22) with decline in the PBILDT margin by ~100 bps (to 9.28% from 10.32% during FY22) on account of increase in the cost of Ductile Iron (DI) pipes. The PAT margin, however, remained stable at 3.61% during FY23 (3.80% during FY22) on account of additional compensation of about Rs.15 received from NHAI towards land acquired as part of Yelhanka-Bengaluru Highway.

During 9MFY24, the total operating income of the company stood at Rs.984 crore (Rs.1,089 crore during 9MFY23) with improvement in the PBILDT margin to 10.02% (8.48% during 9MFY23) on account of receipt of escalation amount of about Rs.14 crore for which costs were booked in the previous years. The PAT margin of the company stood at 3.45% during 9MFY24.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Stable industry Outlook:

IHPL operates in water pipeline segment where government spending has been increasing over the years. Jal Jeevan Mission (JJM) announced by Government of India aims to provide tap water supply to every rural home by 2024. In 2019, only 3.23 crore (17%) had tap water connections. Thus, the objective was to provide nearly 16 crore additional households tap water by 2024. Jal Jeevan Mission has already reached a milestone of providing about 14 crore (74%) rural households (as on Feb. 15, 2024) with tap water connections in their homes. There is huge scope for additional water supply works under the scheme in the states of Rajasthan (no. of households with tap connection: 46% as on Feb. 15, 2022), West Bengal (43%), Kerala (52%), Jharkhand (50%) and Madhya Pradesh (60%).

To achieve the mammoth task of providing tap water supply to every rural household in a span of five years, Rs.3.60 lakh crore has been allocated. Rs.70,000 crore has been allocated to 'Har Ghar Jal' in Union Budget 2024. In addition to above, in 2021-22, Rs 26,940 crore has been allocated to States as 15th Finance Commission tied grant for water & sanitation to Rural Local Bodies/ PRIs. There is an assured funding of Rs.1,42,084 Crore for the next five years i.e., up to 2025-26. Entities engaged in the water pipeline segment are expected to get benefitted from the JJM scheme.

Key weaknesses**Heightened working capital intensity impacting the cashflow position and coverage metrics**

The company operates in a working capital-intensive industry and the receivable days remained extended due to milestone-based payment terms as well as build up in the retention money. The collection days continued to remain elongated at 350 days during FY23 which further elongated to 443 days during 9MFY24. While there has been recovery of some long pending receivable (in line with management articulation), built up of unbilled revenue has resulted in continued stretch on collection and GCA days. To support the heightened working capital requirement, promoters have infused equity to the tune of Rs.60 crore.

However, Total Debt/GCA continues to remain high at 12.23x during 9MFY24 although improved from 12.74x during FY23.

Presence in fragmented industry with high level of competition:

IHPL operates in the EPC industry which is highly competitive in nature. EPC industry in India is heavily dependent on order inflow from the government agencies. With the government's push towards increased spending on infrastructure, the prospects of the company seems to better as players with diverse presence across various states are expected to benefit from the same. However, the operating profit margins of the players in the industry have remained moderate due to fragmented nature of industry with presence of large number of players in the market. Players with superior execution capabilities and financial flexibilities are better placed to overcome the competition in the market.

Liquidity: Adequate

The liquidity position of the company has been adequate supported by low term debt obligations and hence fixed repayment obligations. However, the extended operating cycle/GCA days have necessitated high reliance on working capital borrowings although reduced during 9MFY24. The company avails mobilization advances to support its working capital requirement and fund based limit utilization has been close to 80%. The liquidity position of the company is expected to improve going forward with the expected realization of current debtors.

Assumptions/Covenants: Not applicable**Environment, social, and governance (ESG) risks: Not applicable****Applicable criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

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

[Infrastructure Sector Ratings](#)

[Construction](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Incorporated in July 1926, The Indian Hume Pipe Company Ltd. (IHP) is engaged in providing Engineering, Procurement, Construction and Commissioning services in water supply, irrigation and sewerage related projects. With more than 9 decades of experience, the company is considered a pioneer in the field of water supply industry. The company has presence in almost all water supply related activities, viz. Urban & Rural Water Supply, Penstock for Hydro Power Generation, Tunnel Lining, Large diameter Irrigation pipelines, Head Works including pumping machinery, Treatment Plants, Overhead Tanks and other allied Civil Construction. Over a period, IHP has evolved from contract manufacturer of pipes to executing EPC contracts in water supply contracts as well. The company majorly deals with government projects floated by various State and Central Government agencies. With increased focus in EPC contract business, the pipe manufacturing segment contributes less than 10% to the total revenue of the company.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (U/A)
Total operating income	1520	1543	984
PBILDT	157	143	99
PAT	58	56	34
Overall gearing (times)	1.16	1.30	0.97
Interest coverage (times)	2.37	1.86	2.03

A: Audited U/A: Unaudited; Note: 'the above results are latest financial results 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	May 2025	0.00	Withdrawn
Fund-based-Long Term		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long Term	LT	-	-	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (21-Nov-22)	1)CARE A-; Negative (05-Oct-21)	1)CARE A-; Stable (05-Oct-20)
2	Non-fund-based-Short Term	ST	-	-	1)CARE A2 (04-Apr-23)	1)CARE A2 (21-Nov-22)	1)CARE A2 (05-Oct-21)	1)CARE A2+ (05-Oct-20)
3	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (21-Nov-22)	1)CARE A-; Negative (05-Oct-21)	1)CARE A-; Stable (05-Oct-20)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	-	-	1)CARE BBB+; Stable / CARE A2 (04-Apr-23)	1)CARE BBB+; Stable / CARE A2 (21-Nov-22)	1)CARE A-; Negative / CARE A2 (05-Oct-21)	1)CARE A-; Stable / CARE A2+ (05-Oct-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Long Term	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

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About us:

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