

Hindprakash Industries Limited (Revised)

July 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.25	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	21.50	CARE BB+; Stable / CARE A4+	Assigned
Short Term Bank Facilities	8.50	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Hindprakash Industries Limited (HIL) are primarily constrained on account of its thin profitability margin, moderate capital structure, weak debt coverage indicators, stretched liquidity and susceptibility of profitability to volatile raw material prices

The rating, however, derives strength from HIL's experienced promoters with established track record of operations, moderate scale of operations and diversified customer base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Healthy volume driven growth in scale of operations with total operating income (TOI) over Rs.250 crore and profit before interest, lease rentals, depreciation, and taxes (PBILDT) margin above 5% on sustained basis.
- Improvement in debt coverage indicators with PBILDT interest coverage above 4x and total debt to gross cash accruals (TD/ GCA) below 6x.

Negative factors

- Substantial decline in scale of operations with TOI below Rs.75 crore along with moderation in cash accruals below Rs. 2 crore on sustained basis.
- Deterioration in capital structure with adjusted gearing above 1x along with moderation in debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from its experienced promoters in the chemical industry.

Detailed description of the key rating drivers:

Key weaknesses

Thin profitability margins

HIL operates with thin profitability marked by PBILDT margin ranging from 3.5 – 4% during last 3 years considering the low value addition process (blending and standardization). Furthermore, with increase in interest cost owing to increased reliance on working capital borrowings, PAT margin of the company declined from 2.44% in FY23 to 1.54% in FY24.

Moderate Capital structure and weak debt coverage indicators

The capital structure of HIL marked by overall gearing, stood comfortable at 0.51x on a modest net worth base of Rs. 50.16 crore. However, the adjusted overall gearing stood moderate at 0.89x with networth adjusted towards investment made in affiliate companies as well as loans & advances given to related parties. During FY24, HIL raised equity Rs.6.15 crore by way of conversion of share warrants into equity shares.

With stable profitability and increase in total debt as well as interest cost over the past two years, debt coverage indicators of the company weakened marked by PBILDT interest coverage and TD/GCA of 1.50x and 12.73x respectively in FY24.

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

Susceptibility of profitability to volatile raw material prices

The basic raw material for manufacturing of dyes are different types of chemicals (such as Benzene, Toulene, Xylene, Napthalene, M-Phenylenediamine, M-Amino Acetanilide HCL, 3-Amino 4-Methoxy Acetanilide, etc.) which are mainly derivatives of crude oil. Hence, the prices of its raw materials are directly correlated with crude oil prices which makes HIL's profitability susceptible to volatility in crude oil prices.

Key strengths

Experienced promoters with established track record of operations

HIL was incorporated in 2008 and is currently managed by 3rd generation of Mangal family i.e. Mr. Sanjay Prakash Mangal, Mr. Om Prakash Mangal along with other family members. The promoters are the part of Hindprakash group and have been involved in the chemical industry for more than two decades.

Moderate scale of operations

Scale of operations of HIL marked by its TOI remained stable over the past three years at around Rs.100 crore. The company is operating in highly competitive chemical industry with many organised and unorganised players.

Diversified product profile and customer base

The company's product profile includes 150 products of Textile Auxiliaries, disperse dyes, reactive dyes & Green acids which find application mainly in the textile industry. The company has a pan India presence and supplies to a diversified as well as reputed customer base with the top 5 customers constituting around 33 percent of its total sales in FY24.

Liquidity: Stretched

Liquidity of HIL is stretched marked by high utilisation of its working capital limits and low free cash & bank balance of Rs.0.06 crore as on March 31, 2024. Average monthly working capital utilisation of the company remained at 94% for past 12 months ended June 2024. HIL generated GCA of Rs. 2.03 crore during FY24, against which annual repayment obligation is Rs.0.97 crores. Considering no major debt funded capex planned and low repayment obligation, existing level of GCA is expected to be sufficient for debt repayment over next three years.

HIL's operating cycle was elongated in the range of 125-126 days during last 3 years with high collection period with extended credit required to be offered to customers. However, company has been generating positive cash flow from operations since last 3 years.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & Petrochemicals	Dyes And Pigments

Ahmedabad (Gujarat) based Hindprakash Industries Limited (HIL) was incorporated in 2008 and is engaged in manufacturing (blending and standardization) and trading of dyes, intermediates, auxiliary and other chemicals. The company is managed by Mr. Sanjay Prakash Mangal, Mr. Om Prakash Mangal and family, 3rd generation of promoter family. HIL is part of Hindprakash group, which is engaged in trading and manufacturing of chemical products. The manufacturing unit of the company is located in Vatva, Gujarat with a total installed capacity of 4000 MT per annum for manufacturing more than 150 products of textile auxiliaries, chemicals, dyes, intermediate, and pigments.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Pb)
Total operating income	100.83	99.50
PBILDT	3.88	3.90
PAT	2.46	1.53
Overall gearing (times)	0.53	0.51
Interest coverage (times)	2.16	1.50

A: Audited Pb: Published; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of best available information and has classified HIL as "Non cooperating" vide its press release dated September 19, 2023.

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		-	-	31-10-2026	2.25	CARE BB+; Stable
Fund-based - LT/ST-Cash Credit		-	-	-	21.50	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-ILC/FLC		-	-	-	8.50	CARE A4+

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 2024-2025	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
1	Fund-based - LT/ST-Cash Credit	LT/ST	21.50	CARE BB+; Stable / CARE A4+				
2	Fund-based - LT-Term Loan	LT	2.25	CARE BB+; Stable				
3	Non-fund-based - ST-ILC/FLC	ST	8.50	CARE A4+				

LT: Long term; ST: Short term; LT/ST: 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 - LT/ ST-Cash Credit	Simple
3	Non-fund-based - ST-ILC/FLC	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.

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About us:

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