

## Hindusthan Urban Infrastructure Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	48.98 (Reduced from 69.16)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	32.01 (Reduced from 49.69)	CARE BB; Stable / CARE A4	Reaffirmed
Long Term / Short Term Bank Facilities	-	-	Withdrawn <sup>^</sup>
Long Term Bank Facilities	-	-	Withdrawn <sup>*</sup>

Details of instruments/facilities in Annexure-1.

\*CARE Ratings Ltd. has withdrawn the rating assigned to the term loan facility as it is fully repaid.

<sup>^</sup>Proposed limits of Rs.9.60 crore rated during last review have not been availed by the company and are hence withdrawn.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Hindusthan Urban Infrastructure Limited (HUIL) continues to remain constrained on account of its PAT level losses, weak return indicators and weak debt coverage indicators in last three years ended FY24 (refers to the period April 1 to March 31); along with its stretched liquidity.

The ratings are further constrained by vulnerability of its profitability to volatile input prices and foreign exchange fluctuation and its presence in an intensely competitive and fragmented insulator and speciality chemicals industry.

The ratings however derive strength from its experienced promoters, long track record of the company with established relationship with its reputed clientele base and growing scale of operations with major contribution from the chemical business segment. The ratings also factor in need based support from promoter group entities and company's moderate capital structure. The ratings also factor in company's plan to consolidate its asset base by selling the discontinued conductor plant at Khurda which could improve its liquidity going forward.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in consolidated total operating income (TOI) beyond Rs.650 crore on sustained basis.
- Improvement in profitability with PBILDT margin of 10% & above along with improvement in ROCE to above 9% on a sustained basis
- Improvement in total debt/GCA to less than 10x, on sustained basis
- Improvement in operating cycle resulting into reduced reliance on external borrowings

#### Negative factors

- Decline in consolidated TOI below Rs.500 crore or further moderation in profitability
- Deterioration in overall gearing beyond 1.5x on sustained basis
- Elongation in operating cycle to beyond 150 days and simultaneous increase in external borrowings to fund these requirements
- Discontinuance of funding support from promoters

### Analytical approach: Consolidated

For arriving at the ratings of HUIL, CARE has taken a consolidated approach of HUIL and its subsidiary namely Hindusthan Speciality Chemicals Ltd (HSCL). HUIL holds 58.50% equity stake in HSCL as on March 31, 2024 and also has extended an unconditional and irrevocable corporate guarantee for the bank facilities of HSCL. Also, both the companies belong to the same group i.e Hindusthan Group and share common management.

### Outlook: Stable

Stable outlook reflects CARE's view that Hindusthan Urban Infrastructure Limited at a consolidated level is likely to sustain its scale of operations along with improvement in profitability supported by stable income from insulator division, expected recovery in demand in chemical segment with focus on speciality chemical segment along with need based support extended from promoter group entities.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Detailed description of the key rating drivers:

### Key weaknesses

**Continued losses at PAT level in last three years ended FY24:** Profitability of HUIL on consolidated basis has deteriorated over past two years ended FY24 owing to continued losses in subsidiary i.e HSCL. Owing to moderation in scale, along with significant increase in input cost (raw material owing to contracted procurement till mid FY23 and power & fuel), HSCL reported cash loss of Rs.48 crore and Rs.28 crore during FY23 & FY24 respectively.

Similarly, with closure of conductor division, insulator division remains the main contributor to HUIL's standalone financials apart from stable income from rentals. However, margin from insulator division moderated significantly from ~13-14% during FY19-21 to ~2% in recent years on account of rising input cost prices including power and fuel which company could not pass on entirely. Consequently, at Consolidated level, company reported cash losses in last two years which stood at Rs.53 crore & Rs.27 crore respectively during FY23 & FY24 (as against cash profit envisaged for FY25 during the last review). However, these losses were funded by promoter group entities in form of infusion of unsecured loans.

Company on a consolidated basis is expected to register cash profit from FY25 onwards with expected recovery in chemical segment along with HSCL's focus on speciality chemicals segment along with moderation in input prices and discontinuation of contracted procurement in HSCL. This apart the company also has stable rental income.

### Weak debt coverage indicators and low return indicators

On account of reported net losses over past three years ended FY24, debt coverage indicators of company at consolidated level stood weak along with negative return indicators i.e. Return on capital employed (ROCE) and Return on Net worth (RONW) in FY24.

**Vulnerability of its profitability to volatile input prices and foreign exchange fluctuation:** Profitability of the company remains susceptible to volatility in prices of key inputs (mainly petroleum, coal and metal etc.), depending upon its ability to pass on such a volatility to its customers.

Further, company's profitability is also exposed to foreign exchange fluctuations. The company partially hedges its forex exposure through derivative contracts. During FY24, HUIL had forex exchange gain of Rs.1.26 crore vis-à-vis net loss on forex of Rs.3.10 crore in FY23.

### Key strengths

**Experienced promoters and management with need based support from group entities:** HUIL is promoted by Mr Rajendra Prasad Mody who is the founder of the group. Mr Rajendra Prasad Mody was also the Member of Parliament in Rajya Sabha during 1992-98. He is also the former president of Indian Chamber of Commerce, Kolkata and trustee of Calcutta Port Trust.

Mr. Raghavendra Anant Mody has been appointed as the Chairman of the board with effect from August 31, 2017. He is the third generation of promoter's family graduated in commerce from the Calcutta University.

Mr. Deepak Kejriwal (Managing Director of HUIL group), is a member of The Institute of Chartered Accountants of India. He has been associated with the company since 1996 and has over 26 years of industrial experience. Furthermore, the operations of the company are managed by well qualified and experienced senior management team.

Promoters/promoter group entities have provided need-based support as and when required to support the operations and liquidity of HUIL. At consolidated level, promoters/promoter group entities have infused unsecured loans of total ~Rs.34 crore and ~Rs.73 crore respectively in FY23 & FY24.

**Long track record of company with established relationship with its reputed clientele:** HUIL has a long track record of over seven decades. HUIL on a standalone basis is engaged in manufacturing of HT insulators. Its subsidiary company, HSCL is engaged into manufacturing of Epoxy Resin (ER).

Conductor business segment has been discontinued due to segmental losses and high raw material (aluminium) price volatility. The company's order book stood at Rs.125 crore (entirely for insulator division) as on June 26, 2024 to be executed at a period of 3 to 5 months.

Over the years, HUIL has developed established relationship with its customer base. For the Insulator business, the company derives major revenue from Transmission & Distribution (T&D) companies in private sector. Also, its client concentration has remained moderate with sales contribution from its top 5 clients remaining in the range of 15%-30% over past three year ended FY24.

**Moderate scale of operations primarily driven by chemical business segment:** HUIL at consolidated level has a diversified revenue profile with revenue from the sale of HT insulators and epoxy resin. The scale of operations of HUIL at consolidated level stood moderate at Rs.521 crore in FY24 (P.Y: Rs.577 crore), the decline in scale during FY24 was on account of lower-than-expected sales from chemical segment due to subdued demand of chemicals on account of global economic slowdown/weakness in demand in key export markets etc. HSCL in general continues to be the main contributor to the overall revenue of HUIL, income contribution from chemical segment stood at 56% in FY24 (62% in FY23). While income contribution from Insulator division stood at 40% in FY24 (36% in FY23), remaining income is derived from rentals from its erstwhile properties of conductor business.

**Moderate capital structure:** Capital structure of the company on a consolidated basis stood moderate with overall gearing of 1.41x as on March 31, 2024 (1.11x as on March 31, 2023). Consolidated Networth of the company stood at Rs.335.94 crore at FY24 end. Going forward, capital structure of company is expected to improve backed by company's plans to reduce overall debt exposure out of proceeds from sale of conductor plant at Khurda, which is expected to be around Rs.73 crore.

**Liquidity:** Stretched

The liquidity of HUIL is stretched marked by high limit utilization and cash losses registered in last two years ended FY24 necessitating infusion of funds by promoter/promoter group entities. The average utilization of fund-based limits have remained at around 85% for past 12 months ended March, 2024. Furthermore, working capital requirement continues to be large because of sizable credit period which needs to be offered to reputed client along with sizable inventory holding. This coupled with high receivables days resulted in elongated operating cycle of 124 days as on March 31, 2024 (P.Y:120 days). However, Liquidity of the company is supported by need-based funding support from promoters through unsecured loans. At consolidated level, promoters/promoter group entities have infused unsecured loans of total ~Rs.73 crore in FY24. Also, current ratio of the company stood moderate at 1.09x as on March 31, 2024.

**Environment, social, and governance (ESG) risks:** Not Applicable

**Applicable criteria**

[Consolidation](#)  
[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Withdrawal Policy](#)  
[Short Term Instruments](#)

**About the company and industry**

**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 1959, HUIL (CIN: L31300DL1959PLC003141) was established by the name of 'The Indian Aluminium Cables Limited' and was later renamed to 'Hindusthan Vidyut Products Limited' before being renamed to its current name. The company is part of the Hindusthan Group which is promoted by Mr Rajendra Prasad Mody and family. Company is engaged into manufacturing of HT insulators (mainly Disc, Bushing and Solid Core types of insulators) at its manufacturing facility at Mandideep (Madhya Pradesh) with annual installed capacity of 15,400 MT as on March 31, 2024. The company was into manufacturing of the bare overhead conductors, operations of which have been discontinued since Q4FY23.

HUIL's subsidiary viz. Hindusthan Speciality Chemicals Limited (HSCL) was incorporated on July 11, 2003, by the name of Bharat Electric and Industries Limited and was subsequently renamed to its current name on September 11, 2013. HSCL is engaged into manufacturing of Epoxy Resin (ER) at its manufacturing facility at GIDC Industrial Estate of Jhagadia near Ankaleshwar, Gujarat with installed capacity of 17,400 MT.

Brief Financials (HUIL)- Consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	740.82	577.56	520.87
PBILDT	56.04	(26.87)	2.15
PAT	(3.76)	(58.07)	(35.79)
Overall gearing (times)	1.12	1.11	1.41
Interest coverage (times)	1.36	NM	0.05

A: Audited NM: Not Meaningful; Note: 'the above results are latest financial results available'

Brief Financials (HUIL)- Standalone (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	289.08	215.17	233.65
PBILDT	6.86	(3.03)	12.97
PAT	(12.50)	(10.58)	(2.94)
Overall gearing (times)	0.55	0.50	0.46
Interest coverage (times)	0.31	NM	0.65

A: Audited NM: Not Meaningful; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Brickwork has conducted the review based on best available information and has downgraded and continued the ratings in "Issuer Not cooperating" category vide its press release dated June 06, 2024, due to its inability to carry out a review in the absence of the company's requisite information.

**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-Cash Credit		-	-	-	36.75	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	November, 2023	0.00	Withdrawn
Fund-based - LT-Working capital Term Loan		-	-	May, 2028	12.23	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	32.01	CARE BB; Stable / 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-Cash Credit	LT	36.75	CARE BB; Stable	-	1)CARE BB; Stable (26-Apr-23)	-	-
2	Fund-based - LT-Working capital Term Loan	LT	12.23	CARE BB; Stable	-	1)CARE BB; Stable (26-Apr-23)	-	-
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB; Stable (26-Apr-23)	-	-
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	32.01	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (26-Apr-23)	-	-
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	-	1)CARE BB; Stable / CARE A4 (26-Apr-23)	-	-

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

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

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Hindusthan Speciality Chemicals Limited	Full	58.50% subsidiary as on March 31, 2024, along with unconditional and irrevocable corporate guarantee extended by HUIL to HSCL

**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](mailto:care@careedge.in) for any clarifications.

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### About us:

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