Hilltop Hirise Private Limited

September 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	417.83 (Enhanced from 310.61)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating for the bank facilities of Hilltop Hirise Private Limited (HHPL) takes into account the improvement in financial performance of the company in FY24 (refers to the period April 1 to March 31) marked by increased scale of operations, albeit moderation in profitability margins. The total operating income (TOI) of the company improved by around 11% y-o-y in FY24 backed by better execution of orders in hand, though the operating margins moderated to 11.51% in FY24 as against 15.91% in FY23 given the increase in fuel and labour cost along with increase in lease rentals for mining equipment. Further, with healthy order book position in hand, the revenues are expected to remain elevated in medium term and the margins are expected to improve going forward with execution of better margin orders.

The rating further continues to draw strength from long experience of the promoters in contract coal mining by virtue of association with companies engaged in similar business in the past, healthy order book position of the company, maintenance of large fleet of heavy equipment and reputed clientele leading to lower counterparty risk. The rating is, however, constrained by leveraged capital structure owing to high reliance on loans to fund equipment purchase, competitive nature of industry due to tender based contracts, capital intensive nature of business and regulatory risk in mining sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income of above Rs. 700 crore while maintaining operating margins of over 18% on a sustained basis.
- Improvement in capital structure and debt coverage indicators with overall gearing below 2x and Total Debt/ GCA below 3x on a sustained basis.
- Diversification of client base.

Negative factors

- Deterioration in overall gearing and TD/GCA of above 3.40x and 4.50x respectively on a sustained basis.
- Any sharp decline in order book position.
- Any regulatory action which might have an adverse impact on the operations of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the ability of the company to sustain healthy operating performance and profitability over the medium term.

Detailed description of the key rating drivers:

Key strengths

Long experience of the promoters in coal mining by virtue of association with companies engaged in similar business in the past

HHPL, incorporated in December 2010, is engaged in the business of providing coal mining services such as removal of overburden, extraction of coal, drilling, site levelling and grading & transportation from FY15 onwards. The current promoter directors of the company are Mr Aloke Agarwalla (son of Late Mr B.K. Agarwalla) and Mr Navin Kumar Tulsyan. Mr Aloke Agarwalla was previously a promoter director in Dhansar Engineering Co Pvt Ltd (DECPL) till FY14 and accordingly he carries an experience of over 19 years in the coal mining industry.

Maintenance of large fleet of heavy equipment

The company carries out majority of its mining activities using its own heavy equipment and over the years it has established a significant fleet of such equipment which also enables it in execution of large sized orders. The company has a set of around 532 heavy equipment as on March 31, 2024 (increased from 481 as on March 13, 2023).

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

Reputed clientele leading to low counterparty risk, albeit client concentration

HHPL has executed coal mining orders of reputed companies majorly PSUs in the last 4-5 years as reflected in the table showing break of total revenue. The current order book of the company (amounting to Rs 2014.15 crore) also comprises reputed clients namely subsidiaries of Coal India Ltd including Bharat Coking Coal Ltd (BCCL), Mahanadi Coalfields Limited (MCL) & Western Coalfields Limited (WCL) which ensures timely receipt of receivable and thus mitigates the counterparty credit risk to a large extent. However, considering majority of the order book consisting of orders from such entities increases the dependence of the company on these companies leading to concentration risk.

Healthy order book position imparting revenue visibility

HHPL's order book position as on June 30, 2024, stood at Rs 2014.15 crores (Rs 1252 crore as on March 31, 2023) representing 3.10x of the total turnover in FY24 (provisional). The orders comprise a mix of coal mining and other activities like removal of overburden as well as loading and transportation of coal. The orders are mostly to be executed in the eastern part of India, i.e., in the states of Jharkhand (BCCL) and Orissa (MCL) with addition of Maharashtra (WCL). HHPL's healthy order book position provides revenue visibility over next 2-3 years.

Satisfactory financial performance in FY24 albeit moderation in profitability margin

HHPL's scale of operations increased during FY24, marked by total operating income (TOI) of Rs 650 crore from Rs 583 crore in FY23 on account of higher execution of work orders and healthy order book. However, PBILDT margin has moderated to 11.51% in FY24 from 15.91% in FY23 mainly on account of increase in expense from lease rentals of heavy equipment required for mining and increase in labour charges.

Key weaknesses

Leveraged capital structure

Albeit improvement during FY24, the capital structure of the company has continued to remain leveraged marked by overall gearing ratio of 2.47x as on March 31, 2024, as compared to 4.00x as on March 31, 2023, mainly on account of infusion of equity capital from the promoters for investment purpose in a SPV. Adjusted gearing after adjusting for group company exposure stood at 3.70x as on March 31, 2024 (P.Y. 4.04x). Going ahead, as the company has planned to enhance its scale of operation and increase the heavy equipment fleet size, the company will further sanction term loans for the same. As a result, the capital structure is expected to remain leveraged in the medium term.

Competitive nature of industry due to tender-based contracts

In case of contracts with PSUs, the company has to participate in tenders for the contracts. Therefore, the business operations of the company are largely dependent on the number of tenders floated and the success rate of the company in winning those tenders. In addition, with the coal mining space becoming more competitive, bargaining power and pricing flexibility is limited.

Capital intensive nature of business

The operation of the company is capital intensive in nature as the company has to continuously incur capex for procuring heavy earthmoving equipment (like Dumpers, Excavators, dozers, tippers, etc.) and other mining equipment for replacement purposes. The company has incurred around Rs 62.18 crore in FY24 (Rs 130 crore in FY23) for increasing its fleet size in order to execute orders in hand.

Regulatory risk in the mining sector

The mining environment in India has been highly uncertain with respect to issues like illegal mining and the risk attached to mining activities of its client due to sudden change in government policies. However, majority of the contracts of HHPL are with Public Sector Undertakings (PSUs), i.e., Coal India Ltd and its subsidiaries moderating regulatory risk to a large extent.

Liquidity: Adequate

The liquidity position of the company is adequate with average utilization of fund-based limits at around 53% for the last 12 months period ended in June 2024, whereas utilization of non-fund-based limits stood at 92% as on June 30, 2024. The company mainly utilizes performance bank guarantees (which are furnished to its clients like BCCL, WCL and MCL) till the execution of the contracts. This apart, it also utilizes the BG limits for bidding for new contracts.

The company has debt repayments of around Rs.73 crore in FY25 and the cash accruals of the company are expected to be sufficient to meet the same. Cash flow from operation stood positive at Rs. 61.51 crore in FY24 as against Rs. 34.80 crore in FY23. Current ratio stood at 1.34x as on March 31, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

Incorporated on December 28, 2010, Hilltop Hirise Private Limited (HHPL), forayed into the business of providing coal mining services such as removal of overburden, extraction of coal, drilling, site levelling and grading and transportation from FY15 onwards. The company is currently promoted by Mr Aloke Agarwalla and Mr Navin Kumar Tulsyan who are also the directors of the company. The day-to day operations of the company are looked after by Mr Navin Kumar Tulsyan. The promoters have interest in other businesses like manufacturing LAM Coke, Steel fabrication work for Railways, manufacturing of explosives through other entities of group.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	583.41	649.58
PBIDT	92.80	74.79
PAT	19.59	14.63
Overall gearing (times)	4.00	2.47
Interest coverage (times)	4.99	3.12

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA:
CRISIL has conducted the review on the basis of best available information and has classified HHPL as "Not cooperating" vide its press release dated June 29, 2024. The reason provided by CRISIL is inadequate information and lack of management cooperation.
ICRA has conducted the review on the basis of best available information and has classified HHPL as "Not cooperating" vide its press release dated May 21, 2024. The reason provided by ICRA is absence of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	72.50	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	December 2028	200.08	CARE BBB; Stable
Fund-based-Long Term		-	-	-	0.25	CARE BBB; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	145.00	CARE BBB; Stable

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	72.50	CARE BBB; Stable	-	1)CARE BBB; Stable (30-Jan-24) 2)CARE BBB; Stable (07-Jun-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB; Stable (27-Sep-21) 2)CARE BBB; Stable (26-May-21)
2	Non-fund-based - LT-Bank Guarantee	LT	145.00	CARE BBB; Stable	-	1)CARE BBB; Stable (30-Jan-24) 2)CARE BBB; Stable (07-Jun-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB; Stable (27-Sep-21)
3	Fund-based - LT-Term Loan	LT	200.08	CARE BBB; Stable	-	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB; Stable

						(30-Jan-24) 2)CARE BBB; Stable (07-Jun-23)	(05-Jul-22)	(27-Sep-21)
4	Fund-based-Long Term	LT	0.25	CARE BBB; Stable	-	1)CARE BBB; Stable (30-Jan-24) 2)CARE BBB; Stable (07-Jun-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB; Stable (27-Sep-21)

LT: Long 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-Long Term	Simple
4	Non-fund-based - LT-Bank Guarantee	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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