

## Hind Aluminium Industries Limited

February 23, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE B+; Stable/CARE A4' (Single B Plus; Outlook: Stable/ A Four) assigned to the bank facilities of Hind Aluminium Industries Limited with immediate effect based on No Objection Certificate from the lender. The reaffirmation of the ratings continue to derive strength from the vast experience of promoters in the industry. The ratings are however constrained by exposure to volatility in commodity prices/ foreign exchange rates and cyclical nature of the industry.

**Analytical approach:** CARE has adopted consolidated approach since they are in similar line of business, common management and fungible cash flows. The financials consolidated are standalone HAIL, Hind Power Products Pvt. Ltd., Hind Aluminium Industries (Kenya) Ltd., Associated Industries Limited LLC (SFZ).

### Key strengths

#### Extensive experience of the promoters and other key management personnel

Mr Lalit Kumar Daga, Chairman and his sons Mr Shailesh Daga, Managing Director and Mr Raghav Daga have an extensive experience in the aluminium and aluminium alloys industry, supported by professional staff, who handles the day to day functioning. Owing to their presence in the same industry for more than three decades, they have developed end-to-end understanding about the functioning of the conductors and aluminium wire rods industry.

### Key weaknesses

#### Continuous decline in scale of operations and profitability

The scale of operations on consolidated basis continue to decline. The Total Operating Income declined from Rs.96.94 crore in FY21 to Rs.24.30 crore in FY22. Further, during 9MFY23, the total revenue reported was Rs.14.91 crore as against Rs.23.71 crore reported during 9MFY22. The reasons being unavailability of new orders, sluggishness in demand for the aluminium conductors since past few quarters, existing project delays, impact of COVID and anti-China sentiment which have further delayed various large tenders by few months. The company reported losses in FY22 owing to lower margin orders, also higher operating expenses on account of employee costs and wire rod division. The losses were funded by infusing funds through unsecured loans and receipt of advances given to other group company.

#### Profitability highly sensitive to economic cycle and volatility in commodity prices

Aluminium being the key raw material used in the manufacturing process, the aluminium wire rods and conductor prices also move in tandem with aluminium metal prices. While HAIL's raw material cost changes according to changes in aluminium prices, the company will have to pass on the decline/ rise in prices to its customers, thereby having no significant impact on its profitability. Further HAIL also hedges its raw material prices in case of fixed price contract thus insulating itself to volatility in prices. However, any abnormal volatility in aluminium prices has to be borne by the company in the short run.

### Liquidity: Stretched

<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

HAIL reported cash losses since FY20. The cash and cash equivalent stood at 0.58 crore and current ratio at 1.54x as on March 31, 2023. Thus, the liquidity position continued to remain stretched.

### Applicable criteria

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

Established in 1973 by Mr. Lalit Daga, the Associated Group manufactures aluminium wire rods, which are used to make conductors and cables. The business is carried out by its two companies, the flagship company Hind Aluminium Industries Limited (HAIL), incorporated in 1987 and Associated Aluminium Industries Private Limited (AAIPL – rated CARE BBB+; Stable/ CARE A2), incorporated in 1972. The first manufacturing unit (an aluminium rolling mill) under AAIPL was set up in Taloja, Maharashtra. HAIL, currently has an installed capacity to manufacture 60,000 tonnes per annum (TPA) of aluminium conductors. Further, the company also has an aluminium rod manufacturing facility with an installed capacity of 29,000 TPA (AAIPL 30,800 TPA). HAIL has two Wind Turbine Generators (WTG) of total 2.75 Mega Watts (MW) at Nandurbar & Sangli in Maharashtra and four Solar Power plants of 1.43 MW at Pune – Maharashtra, Bengaluru –Karnataka, Rewari – Haryana and Alwar – Rajasthan. For its wind turbine power generation, HAIL has a Power Purchase Agreement (PPA) with MSEDCL for complete purchase of its generation.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	96.94	24.30	14.91
PBILDT	-7.30	-2.24	13.77
PAT	-14.64	-3.33	9.36
Overall gearing (times)	0.85	0.41	NA
Interest coverage (times)	NM	NM	23.34

A: Audited; UA: Unaudited; NM: Not meaningful; NA: Not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

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

**Complexity level of the 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		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	2023	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	-	-	1)Withdrawn (17-Dec-19) 2)CARE A-; Negative / CARE A2+ (10-Jun-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B+; Stable (25-Mar-22) 2)CARE B+; Stable (22-Feb-22) 3)CARE BB+; Negative (24-Nov-21) 4)CARE BBB; Negative (06-Apr-21)	1)CARE BBB; Negative (26-Nov-20)	1)CARE BBB+; Stable (17-Jan-20) 2)CARE BBB+; Stable (17-Dec-19) 3)CARE A-; Negative (10-Jun-19)

3	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (25-Mar-22) 2)CARE B+; Stable (22-Feb-22) 3)CARE BB+; Negative (24-Nov-21) 4)CARE BBB; Negative (06-Apr-21)	1)CARE BBB; Negative (26-Nov-20)	1)CARE BBB+; Stable (17-Jan-20) 2)CARE BBB+; Stable (17-Dec-19) 3)CARE A-; Negative (10-Jun-19)
4	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4 (25-Mar-22) 2)CARE A4 (22-Feb-22) 3)CARE A4 (24-Nov-21) 4)CARE A3 (06-Apr-21)	1)CARE A3 (26-Nov-20)	1)CARE A3+ (17-Jan-20) 2)CARE A3+ (17-Dec-19) 3)CARE A2+ (10-Jun-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA**

**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	Non-fund-based - ST-BG/LC	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](mailto:care@careedge.in) for any clarifications.

**Contact us****Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

**Analyst contact**

Name: Arunava Paul

Phone: +91-9820904584

E-mail: [arunava.paul@careedge.in](mailto:arunava.paul@careedge.in)

**Relationship contact**

Name: Saikat Roy

Phone: +91-22-67543404

E-mail: [saikat.roy@careedge.in](mailto:saikat.roy@careedge.in)

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**Disclaimer:**

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**