

**Hind Aluminium Industries Limited<sup>[Revised]</sup>**
**November 24, 2021**
**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	129.65	CARE BB+; Negative (Double B Plus; Outlook: Negative)	Revised from CARE BBB; Negative (Triple B; Outlook: Negative)
Short Term Bank Facilities	51.92	CARE A4 (A Four)	Revised from CARE A3 (A Three)
<b>Total Bank Facilities</b>	<b>181.57</b> <b>(Rs. One Hundred Eighty-One Crore and Fifty-Seven Lakhs Only)</b>		

*Details of facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The revision in ratings assigned to the bank facilities of Hind Aluminium Industries Limited (HAIL) factors in continuous and sharp decline in scale of operations over the past three years, continuous dampening of profitability, project delays and impact of COVID. CARE notes that the company has no major orders in hand and is surrendering majority of its facilities.

The ratings derive strength from the vast experience of promoters in the industry and timely infusion of funds by the promoters resulting in adequate liquidity.

The ratings are however constrained by exposure to volatility in commodity prices/ foreign exchange rates, supplier concentration risk as well as cyclical nature of the industry.

**Rating Sensitivities**
**Positive Factors**

- Sustained increase in scale of operations with sales above Rs. 400 crores on account of receipt of new and large orders
- Timely collection of receivables leading to lower dependency on working capital borrowings
- Improvement in PBILDT margins above 5% on a sustained basis, on the back of higher margin orders
- Improvement in overall gearing below 1x on a sustained basis, based on reduction in working capital utilization.

**Negative Factors**

- Inability to get new orders
- Inability to tie up with lenders for availing required working capital
- Continued incurring of losses by the company

**Outlook: Negative**

The outlook continues to remain negative on account of inability of HAIL to get new orders and tie up with new lenders for working capital facilities, sluggishness in the demand for conductors which is further expected to continue in medium term and project delays. The company's operations are further expected to be impacted on account of above. The outlook will be revised to stable if there is improvement in company's order book position leading to increase in scale of operations with improvement in profitability margins as well as debt coverage indicators.

**Detailed description of the key rating drivers**
**Key Rating 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

## Key Rating 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.392.76 crore in FY20 to Rs. 96.94 crore in FY21. Further, during H1FY22, the total revenue reported was Rs.21.45 crore as against Rs.74.96 crore reported during H1FY21. 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 FY21 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.

### ***Decline in order book position***

The company successfully implemented cables and transmission line installation project for MP Govt in H1FY22. The management has indicated that the company does not have any major projects in pipeline.

## 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.

## Industry Outlook

The conductor industry is facing extreme sluggishness in demand for the past two quarters majorly due to impact of COVID, project delays and anti-China sentiment. Various companies have asked for extension of tenders' deadline by 2-3 months as they need time to evaluate and find source to replace Chinese products. Some very large tenders which were to be issued in the month of September have been extended by 3-4 months which is causing delay for conductor industry. Although, there is no Chinese product required to manufacture conductor but due to other electrical equipments the tender process is getting delayed. Also, the industry is heavily dependent on bank limits (BG) but banks are now renegotiating the limits with the company which is further affecting company's operations.

**Liquidity: Stretched** – The Company as on September 30, 2021 has cash and cash equivalents of Rs.1.23 crore. The company does not have any scheduled repayments in H2FY22. The company has closed working capital limits with SBI and Axis Bank. The liquidity position is expected to remain stretched until the company is able to bag new orders and tie up for working capital facilities with new/existing lenders.

**Analytical approach:** CARE has adopted consolidated approach. The financials consolidated are standalone HAIL, Hind Power Products Pvt. Ltd., Hind Aluminium Industries (Kenya) Ltd., Associated Industries Limited LLC (SFZ).

## Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

[CARE's policy on default recognition](#)

[Criteria for short-term instruments](#)

[Financial ratios – Non-financial sector](#)

[Rating Methodology – Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### About the Company

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 – Consolidated (Rs. Crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total Operating Income	392.76	96.94	21.45
PBILDT	4.13	-7.30	5.24
PAT	-5.72	-14.64	0.78
Overall Gearing (times)	1.64	0.85	0.48
Interest coverage (times)	0.39	Not meaningful	3.42

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	FY23	2.65	CARE BB+; Negative
Fund-based - LT-Cash Credit		-	-	-	127.00	CARE BB+; Negative
Non-fund-based - ST-BG/LC		-	-	-	51.92	CARE A4

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	-	1)Withdrawn (17-Dec-19) 2)CARE A-; Negative / CARE A2+ (10-Jun-19)	1)CARE A-; Stable / CARE A2+ (31-Dec-18)
2	Fund-based - LT-Term Loan	LT	2.65	CARE BB+; Negative	1)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)	1)CARE A-; Stable (31-Dec-18)

							3)CARE A-; Negative (10-Jun-19)	
3	Fund-based - LT- Cash Credit	LT	127.00	CARE BB+; Negative	1)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)	1)CARE A-; Stable (31-Dec- 18)
4	Non-fund-based - ST-BG/LC	ST	51.92	CARE A4	1)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)	1)CARE A2+ (31-Dec- 18)

\* Long Term / Short Term

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Not applicable

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of 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: Bank Lender Details for this Company

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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