

Hind Aluminium Industries Limited

March 25, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.07 (Reduced from 129.65)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	14.97 (Reduced from 51.92)	CARE A4 (A Four)	Reaffirmed
Total Facilities	30.04 (Rs. Thirty Crore and Four Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Hind Aluminium Industries Limited (HAIL) factor in continuous and sharp decline in scale of operations, continuous dampening of profitability, lack of new orders, ongoing 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.100crore 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

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.

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 9MFY22, the total revenue reported was Rs.23.71 crore as against Rs.88.37 crore reported during 9MFY21. 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 as of February 2022, as a result the financial performance in FY22 is expected to deteriorate compared to previous year.

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

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

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 of the 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. Also, the industry is heavily dependent on bank limits (BG) but banks are now renegotiating the limits strictly with the company, which is further affecting company's operations.

Liquidity: Stretched

The company as on September 30, 2021 had cash and cash equivalents of Rs.1.23crore. 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

[CARE's Policy on Default Recognition](#)

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

[Criteria for Short Term Instruments](#)

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

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

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 (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22(UA)
Total operating income	392.76	96.94	23.71
PBILDT	4.13	-7.30	4.81
PAT	-5.72	-14.64	1.12
Overall gearing (times)	1.64	0.85	NA
Interest coverage (times)	0.39	Not meaningful	NA

A: Audited; UA: Un-audited; NA: not available

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		-	-	FY22	9.29	CARE B+; Stable
Fund-based - LT-Cash Credit		-	-	-	5.78	CARE B+; Stable
Non-fund-based - ST-BG/LC		-	-	-	14.97	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	9.29	CARE B+; Stable	1)CARE B+; Stable (22-Feb-22) 2)CARE BB+; Negative (24-Nov-21) 3)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)
3	Fund-based - LT-Cash Credit	LT	5.78	CARE B+; Stable	1)CARE B+; Stable (22-Feb-22) 2)CARE BB+; Negative (24-Nov-21) 3)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	14.97	CARE A4	1)CARE A4 (22-Feb-22) 2)CARE A4 (24-Nov-21) 3)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 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 DetailsTo 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@careedge.in for any clarifications.

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About CARE Ratings:

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