Hariom Pipe Industries Limited

October 12, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	19.15	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information
Short Term Bank Facilities	4.50	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	23.65 (Rs. Twenty-Three Crore and Sixty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 16,2019 placed the rating(s) of Hariom Pipe Industries Limited, HPIL under the 'issuer non-cooperating' category as HPIL had failed to provide information for monitoring of the rating. HPIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an e-mail communications dated from January 31, 2020 to October 07, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

(Updated for the information available from ROC)

The rating has been revised by taking into account non-availability of requisite information and no due-diligence conducted due to non-cooperation by Hariom Pipe Industries Limited, with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating continues to be tempered by moderate scale of operation, working capital intensive nature of operation and intense competition due to fragmented nature of the industry. The ratings however underpinned by moderate track record and experienced and resourceful promoters, increase in total operating income and stable outlook for Iron and steel industry.

Key Rating Weakness

Moderate scale of operations

The scale of operations of the company remained moderate marked by total operating income (TOI) of Rs. 133.92 crore In FY FY19 in coupled with moderate tangible net worth of Rs. 40.87 crore as on March 31, 2019.

Working capital intensive nature of operations

Operating cycle days of the company marginally improved and stood at 123 days in FY19 due to decrease in Inventory days to 110 in FY19.

Key rating strengths

Moderate track record and experienced and resourceful promoters in iron and steel industry

HCSPL was promoted by Mr Roopesh Kr Gupta, Mr Shailesh Kr Gupta and Mr Rakesh Kr Gupta in 2007. All the promoters are graduates in different fields i.e. commerce and arts, having experience of about three decades in steel industry. Prior to incorporating HCSPL, the promoters also worked in family owned companies engaged in steel industry. Long and

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

satisfactory track record of operation has helped the company to establish satisfactory relationship with the customer and suppliers and has helped the company to grow its business over the years. Furthermore, promoters are resourceful and have been bringing in need based funds in the company in the form of preference share capital and unsecured loans to manage business operations.

Satisfactory profitability margin albeit declining in FY19
The PBILDT margin decreased from 14.70% in FY18 to 12.93% in FY19. Further, the PAT margin is also marginally decreased and stood at 6.14% in FY19.

Satisfactory capital structure and debt coverage indicators albeit marginal Deteration in FY19
The overall gearing ratio marginally deteriorated from 1.11x as on March 31, 2018 to 1.23x as on March 31, 2019 at the back of increase in total debt.
Total debt/GCA of the company deteriorated and stood at 4.51x in FY19 and interest coverage ratio marginally deteriorated and stood at 5.21x in FY19. Further, total debt/CFO of the company significantly deteriorated and stood at 51.73x in FY19.

Increased in total operating income FY19
The TOI increased from Rs.105.37 crore in FY18 to Rs.133.92 crore in FY19.

Stable outlook for iron and steel industry
India was the world's second-largest steel producer with production standing at 111.2 million tonnes (MT) in 2019. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.
The Indian steel industry is modern with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels. The National Steel Policy, 2017 envisage 300 million tonnes of production capacity by 2030-31. The per capita consumption of steel has increased from 57.6 kgs to 74.1 kgs during the last five years. As per Indian Steel Association (ISA), steel demand will grow by 7.2 per cent in 2019-20 and 2020-21.Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors

Analytical approach: Standalone

Applicable Criteria:
Policy in respect of Non-cooperation by issuer
Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial Ratios-Non-Financial Sector
Criteria for Short Term Instruments
Rating Methodology- Manufacturing Companies
Rating Methodology-Steel industry

About the Company
Hyderabad based, Hariom Pipe Industries Limited (HPIL), erstwhile Hariom Concast & Steels Private Limited, was incorporated in 2007. HPIL is promoted by Mr Roopesh Kumar Gupta (Managing Director), Mr Shailesh Kumar Gupta (Whole-time Director) and Mr Rakesh Kr Gupta (Director). The company is engaged in manufacturing of various steel products such as Mild Steel Billets, Hot Rolled Strips, Mild Steel Tubes and Scaffolding, at its manufacturing unit located at Balanagar Mandal, Mahabubnagar District, Telangana State. The company is an ISO 9001:2015 and IS 2830:2012 certified company and sells its products under the brand name of 'HARIOM'. The company generates almost all of its revenue from southern region which includes Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	105.37	133.92
PBILDT	15.49	17.31
PAT	6.48	8.22
Overall gearing (times)	1.11	1.23
Interest coverage (times)	5.39	5.21

Status of non-cooperation with previous CRA: *Brick Work Ratings has conducted the review on the basis of best available information and classified 'Hariom Pipe Industries Limited as ''Not Cooperating'' vide its press release September 25, 2020*

Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	January-2019#	0.26	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	September-2021	0.89	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

**Issuer did not cooperate; based on based available information*
#updated Information not available

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.26	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Jul-19)	1)CARE BB+; Positive (06-Sep-18)	1)CARE BB+; Positive (14-Mar-18)
2.	Fund-based - LT-Term Loan	LT	0.89	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Jul-19)	1)CARE BB+; Positive (06-Sep-18)	1)CARE BB+; Positive (14-Mar-18)
3.	Fund-based - LT-Cash Credit	LT	18.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Jul-19)	1)CARE BB+; Positive (06-Sep-18)	1)CARE BB+; Positive (14-Mar-18)
4.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (16-Jul-19)	1)CARE A4+ (06-Sep-18)	1)CARE A4+ (14-Mar-18)
5.	Non-fund-based - ST-Letter of credit	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (16-Jul-19)	1)CARE A4+ (06-Sep-18)	1)CARE A4+ (14-Mar-18)

**Issuer did not cooperate; based on based available information*

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities*:* Not Applicable

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

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-Bank Guarantees	Simple
4.	Non-fund-based - ST-Letter of credit	Simple

***Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to 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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