Hisar Metal Industries Limited

July 08, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	20.00	**CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; 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	30.00	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Revised from 'CARE A4+; Issuer not cooperating' (A Four plus; Issuer not cooperating) on the basis of best available information
Total	**50.00 (Rs. Fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated November 25, 2019, placed the ratings of Hisar Metal Industries Limited (HMIL) under the 'issuer non-cooperating' category as HMIL had failed to provide information for monitoring of the rating. HMIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated July 03, 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(s).

The rating have been revised on account of a decline in the operational performance of the company during the Q4FY20 (refers to the period from January 01, 2020 to March 31, 2020). Moreover, CARE is unable to conduct appropriate credit risk assessment in the absence of adequate information required to review the ratings.

Detailed description of the key rating drivers

At the time of last rating on November 25, 2019 the following were the rating strengths and weaknesses (updated for the information publically available):

Key Rating Weaknesses

Declining operational performance: The total operating income moderated to Rs. 178.11 crore during FY20 (refers to the period from April 01, 2018 to March 31, 2019) as compared to Rs.208.58 crore in FY19. Further, the company reported a decline in the total operating income to Rs. 38.67 crore in Q4FY20 (refers to the period from January 01, 2020 to March 31, 2020) by 32% from Rs. 56.93 crore in Q4FY19. The PBILDT margin further declined to 2.12 % in Q4FY20 (Q4FY19: 4.46%).

Supplier concentration risk: HMIL is highly prone to the supplier concentration risk and its revenue and margins are susceptible to any major change in the sales policy of its supplier. However, the long term relationship with the supplier provides the comfort of constant supply of the raw material.

Working capital intensive operations: HMIL's operations are working capital intensive in nature. The operating cycle has elongated from 106 days as on March 31, 2019 to 133 days as on March 31, 2020 owing to the increase in average inventory days from 70 days in FY19 to 88 days in FY20. The current ratio of the company stood at 1.50x as on March 31, 2020. (PY: 1.25x).

High competition and inherent cyclicality in the steel industry: The industry for stainless steel products is highly fragmented with large number of local unorganized and organized players in the market. The steel industry is cyclical with prices driven by demand and supply conditions which directly expose the cash flows and profitability of companies to the volatility in the steel prices.

[2]*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*

Key Rating Strengths

Experienced promoters: The promoters of HMIL have considerable experience in the field of manufacturing CR steel. Mr. Abhiram Tayal, 64 years old, managing director of the company since 1995, is having an experience of around 39 years in cold rolled stainless steel industry and looks after the operational functions of the company. Mr. M. P. Jindal, chairman of the company, is a graduate, with 44 years of experience and looks after operations and finance function of the company. They have also infused funds into the company time and again in the form of quasi equity. The company will continue to benefit from its promoter's extensive experience and their understanding of the dynamics of the market.

Long track record of operations with a diversified customer base: HMIL has been into manufacturing of stainless steel strips since 1990 and has built established long term relationships with its customers reflected in repetitive orders from them. Sales of the company are spread over a large customer base which reflects the diversified operations and eliminates the risk of customer concentration.

Average financial risk profile: The overall gearing of the company improved marginally to 2.26x as on March 31, 2020 (PY: 2.69x). However, the interest coverage ratio deteriorated marginally from 2.81x in FY19 to 2.41x in FY20.

Liquidity: Adequate: The current ratio of HMIL as on March 31, 2020 is 1.50x (PY: 1.25x). The cash and cash equivalents stood at Rs. 3.17 cr as on March 31, 2020 (PY: 6.22 cr). The trade receivables as on March 31, 2020 stood at Rs. 28.82 cr (PY: Rs. 40.11 cr). The GCA of the company during FY20 remained at Rs. 6.05 cr (PY: Rs. 7.36 cr).

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
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

HMIL was incorporated in May 1990 and is engaged in the business of manufacturing cold rolled stainless steel strips at its factory in Hisar, Haryana having an installed capacity of 19,200 MT as on March 31, 2018. The company was originally incorporated as private limited company but was subsequently converted in Public Limited Company in 1992. It is listed on Delhi Stock Exchange and Bombay Stock Exchange. The company's products find application in automotive parts, watches, camera, clamps, floppy disks, fiber optics, pens, packaging, needles, rings, thermometers, etc. The company is also engaged in job work which includes the reduction of thickness of coils and strips.

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

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	208.58	178.11
PBILDT	13.81	12.51
PAT	5.33	3.91
Overall gearing (times)	2.69	2.26
Interest coverage (times)	2.81	2.41

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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	30.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information

**Issuer did not cooperate; Based on best available information*

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-Cash Credit	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (25-Nov-19) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE BBB-; Stable (04-Jul-18)	1)CARE BB+; Stable (15-Sep-17)
2.	Non-fund-based - ST-BG/LC	ST	30.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A4+; ISSUER NOT COOPERATING* (25-Nov-19) 2)CARE A3; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE A3 (04-Jul-18)	1)CARE A4+ (15-Sep-17)

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Ajay Dhaka
Contact no.- 011- 45333 218 ;+ 91 - 8826868795 ;
Email ID- ajay.dhaka@careratings.com

Relationship Contact
Ms. Swati Agarwal
Contact no. : +91-11-45333200
Email ID : swati.agrawal@careratings.com

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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