

**Hisar Metal Industries Limited**  
**July 31, 2019**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	20.00	<b>CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; Based on best available information
Short term Bank Facilities	30.00	<b>CARE A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; Based on best available information
<b>Total</b>	<b>50.00 (Rs. Fifty crore only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Hisar Metal Industries Limited (HMIL) to monitor the ratings vide e-mail communications/letters July 22, 2019, July 12, 2019, July 3, 2019, June 14, 2019, June 12, 2019, May 30, 2019, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating of HMIL'S bank facilities will now be denoted as **CARE BBB-; Stable; ISSUER NOT COOPERATING\*/ CARE A3; ISSUER NOT COOPERATING\***.

***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 ratings assigned to the bank facilities of Hisar Metal Industries Limited (HMIL) continue to take into account the vast experience of the company's promoters and track record of operations with a diversified customer base. The ratings also draw comfort from the steady operational performance of the company marked by a moderate scale of operations with expansion in profit margins resulting in improvement in gearing and average debt coverage indicators. However, the ratings continue to be constrained by the risks pertaining to the supplier concentration, company's working capital intensive business operations and inherent cyclicity in the steel industry with high competition.*

**Detailed description of the key rating drivers**

*At the time of last rating on July 4, 2018, the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange):*

**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.

***Steady operational performance:*** The total operating income moderated to Rs. 208.78 crore during FY19 to as compared to Rs.228.98 crore in FY18. During FY18, the PBILDT margins improved slightly to 6.71% in FY19 (PY: 6.57%) owing to decrease in the cost of raw material. Decrease in raw material cost coupled with lower interest expense resulted in improvement in PAT margin to 2.55% in FY19 (PY: 2.18%).

***Average financial risk profile:*** The overall gearing of the company improved to 1.57x as on March 31, 2019 (PY: 1.76x) owing to accretion of profits to net worth. Also, the interest coverage ratio Improved marginally from 2.46x in FY18 to 2.85x in FY19 on account of decrease in interest cost.

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

### Key Rating Weaknesses

**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 86 days in FY18 to 104 days in FY19. The current ratio of the company stood at 1.30x as on March 31, 2019. (PY: 1.15x)

**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.

**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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	228.98	208.78
PBILDT	15.05	14.01
PAT	4.96	5.32
Overall gearing (times)	1.76	1.57
Interest coverage (times)	2.46	2.85

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 BBB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	30.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BBB-; Stable (04-Jul-18)	1)CARE BB+; Stable (15-Sep-17)	1)CARE BB (13-Sep-16)
2.	Non-fund-based - ST-BG/LC	ST	30.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A3 (04-Jul-18)	1)CARE A4+ (15-Sep-17)	1)CARE A4 (13-Sep-16)

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Ajay Dhaka

Contact no. - +91-11-45333218

Email ID- [ajay.dhaka@careratings.com](mailto:ajay.dhaka@careratings.com)

### Business Development Contact

Ms. Swati Agrawal

Contact no. - +91-11-4533 3200

Email ID- [swati.agrawal@careratings.com](mailto: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.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**