

Hisar Metal Industries Limited

November 25, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	20.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) On the basis of best available information
Short term Bank Facilities	30.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE A3 (A Three) 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 July 31, 2019, placed the rating(s) of Hisar Metal Industries Limited (HMIL) under the 'issuer non-cooperating' category as HMIL had failed to provide information for monitoring of the rating exercise as agreed to in its Rating Agreement. HMIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an e-mail dated November 18, 2019. 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 ratings have been revised on account of unavailability of adequate information required to review the ratings due to which CARE is unable to conduct a proper credit risk assessment.

Detailed description of the key rating drivers

At the time of last rating on July 31, 2019, the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange):

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 (refers to the period April 01, 2019 to March 31, 2019). 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.

Key Rating Strengths

Experienced promoters: The promoters of HMIL have considerable experience in the field of manufacturing CR steel. Mr. Abhiram Tayal, 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 more than four decades 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.

¹Complete 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

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%). The company reported total operating income of Rs.99.29 crore in H1FY20 (refers to the period from April 01, 2019 to September 30, 2019), registering a marginal decline from Rs.100.59 crore in H1FY19. However, the PBILDT margin improved to 7.53% in H1FY20 (H1FY19: 6.37%).

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. In H1FY20, the interest coverage ratio declined marginally to 2.70x (H1FY19: 2.90x).

Analytical approach: Standalone

Liquidity: Adequate

The liquidity profile of the company is marked by gross cash accrual of Rs.7.36 crore as on March 31, 2019 (PY: Rs.6.83 crore) against loan repayment obligation of Rs.0.54 crore and free cash and cash equivalents of Rs.3.18 crore as on March 31, 2019. The current ratio of the company stood at 1.25x as on March 31, 2019 (PY: 1.10x).

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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; 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 A3; ISSUER NOT COOPERATING* on the basis of 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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (31-Jul-19)	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 A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE A3; ISSUER NOT COOPERATING* (31-Jul-19)	1)CARE A3 (04-Jul-18)	1)CARE A4+ (15-Sep-17)	1)CARE A4 (13-Sep-16)

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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