# Hitech Corporation Limited (Formerly known as Hitech Plast Limited)

August 29, 2017

**Ratings**

| **Facilities** | **Amount (Rs. crore)** | **Rating[1]** | **Rating Action** |
|---|---|---|---|
| Fixed Deposit Programme | 3.04 (reduced from 10.00) | **CARE A+ (FD); Stable [Single A Plus (Fixed Deposit); Outlook: Stable]** | **Reaffirmed** |
| **Total** | **3.04 (Rupees Three crore and Four lakh Only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The reaffirmation in the ratings assigned to the Fixed Deposit Program of Hitech Corporation Limited (HCL) continues to derive strength from its experienced and resourceful promoters, having strong business relationship with Asian Paints Limited, well established market presence in the paint packaging industry, having a portfolio of reputed clientele base from varied industries, healthy gearing level and debt service coverage indicators.

The ratings strengths, however, are tempered by the HCL's profitability susceptible to fluctuations associated with polymer prices, working capital intensive operations, project execution risks and intense competition in the packaging industry.

Going forward, HCL's ability to scale up its operations, while improving its profitability margins on the back of stabilization of its new built Rohtak plant and maintain its capital structure together with successful implementation of capex as per the planned funding profile are the key rating sensitivities.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Experience and resourceful promoters***

Incorporated in 1991, Hitech Corporation Ltd (HCL) has an established track record of over two and a half decades in the packaging business. The company is promoted by Mr Ashwin Dani (Chairman), one of the three founder promoters of Asian Paints Ltd, India's largest paint company. He has more than four decades of experience in the paint industry and has been associated with Asian Paints Ltd since 1968. The day to day operations of the company is managed by a team of qualified and experienced personnel headed by Mr. Malav Dani (Managing Director), son of Mr. Ashwin Dani. Under the present management, HCL has been able to establish itself as one of the major suppliers of packaging material. HCL benefits immensely from reputation of its promoters in the industry.

***Strong business relationship with Asian Paints***

HCL continues to benefit from strong business relationship with Asian Paints. In FY17, increase in demand for packaging materials by Asian Paints led to increase in its revenue share to HCL. The company derived around 56% of its overall revenues and is one of the leading vendors for Asian Paints.

***Portfolio of reputed clientele base from various industries***

HCL derives about 60% of its revenues from paint segment and remaining 40% of its revenues from non-paint segment. The company's clientele portfolio is well diversified across different industry segments such as Paint, Chemical, FMCG, Pharmaceuticals, Lubricants and Agrochemical products. The company has a reputed clientele base such as Asian Paints Ltd., Pidilite Ltd, Glaxosmithkline Consumer, etc.

***Healthy gearing level and debt coverage indicators***

The company's gearing level continues to remain healthy at 0.64x as on March 31, 2017 owing to large net-worth base. Furthermore, the debt service coverage indicators of the company continues to be at healthy as indicated by interest coverage ratio of 5.80x as on March 31, 2017 and total debt to GCA ratio of 3.63x.

**Key Rating Weaknesses**

***Margins susceptibility to fluctuations in polymer prices and prevailing intense competition in the industry***

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

The prices of polymers, the main raw material, have been volatile given the linkage with crude oil prices. HCL's operational performance is partially vulnerable to an increase in key raw material prices as well as competitive pricing pressure resulting into lag in passing on costs to its clients.

***Working capital intensive operations***

HCL's operations are working capital intensive in nature owing to higher collection period along with moderate inventory holding period and low credit period available from limited suppliers of raw material in the domestic market leads to significant working capital requirement. As on March 31, 2017, HCL had working capital cycle of about 78 days. The company funds its working capital by discounting bills of Asian Paints Limited, while it also resorts to working capital funds from bank to support its scale of operations.

***Project execution risk***

HCL resumed operations at its Rohtak plant in March 2017. Going forward, In FY18, the company plans to incur additional capex of Rs.57.35 crore which includes enhancing capacity at Rohtak plant, debottlenecking its operations at its Khandala and Sriperumbudur plant as well as sundry capex at its various plants. The same is proposed to be funded through term debt of Rs.25.00 crore, insurance claim amount of Rs.20.00 crore and remaining through internal accruals. The total cost of the project (to be executed in FY18) as a percentage of HCL's tangible net worth as on March 31, 2017 is around 40%. Thus, timely completion of the planned capex as per the proposed funding pattern and within envisaged capital structure without incurring any cost overruns would be critical from credit perspective. Nevertheless, comfort can be drawn from the fact that HCL has successfully executed projects of similar size in the past in a timely manner.

***Low-entry barriers leading to intense competition in the industry***

The packaging industry has minimal entry barriers leading to various players in the sector. This results in higher competition leading to competitive pricing in the industry.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

**About the Company**

Hitech Corporation Limited (HCL) incorporated in 1991; is promoted by Mr. Ashwin Dani, one of the three founder promoters of Asian Paints Ltd. HCL started its operations by manufacturing thin walled cylindrical, injection moulded plastic containers called "BoCans". The company currently is engaged in the manufacturing and sale of innovative polymer products to various industries like paint, personal care, agro chemicals, health care, confectionary, lube and retail household products. The paint container segment contributes 60% to the consolidated revenues while non-paint container contributes the balance. HCL has twelve manufacturing units and one technology centre and is one of the largest manufacturers of paint and non-paint containers in the India with a 35,000 mtpa of annual capacity as on March 31, 2017. The company has a strong clientele base such as Asian Paints Ltd., Pidilite Ltd, Glaxosmithkline Consumer, etc.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|---|---|---|
| Total operating income | 393.17 | 367.90 |
| PBILDT | 45.88 | 34.85 |
| PAT | 14.12 | 11.84 |
| Overall gearing (times) | 0.59 | 0.64 |
| Interest coverage (times) | 4.37 | 5.80 |

*A: Audited*

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

***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.*

**Analyst Contact:**
Name: Mr Vikash Agarwal
Tel: 022-3252 6405
Email: Vikash.agarwal@careratings.com

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



**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 |
|---|---|---|---|---|---|
| Fixed Deposit | - | - | September-2018 | 3.04 | CARE A+ (FD); Stable |

**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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fixed Deposit | LT | 3.04 | CARE A+ (FD); Stable | - | 1)CARE A+ (FD) (18-Aug-16) | 1)CARE A+ (FD) (14-May-15) | - |

## CONTACT

**Head Office Mumbai**


**Ms. Meenal Sikchi**
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

**Ms. Rashmi Narvankar**
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

**Mr. Saikat Roy**
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

**CARE Ratings Limited**

**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**
**Mr. Deepak Prajapati**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

**BENGALURU**
**Mr. V Pradeep Kumar**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

**CHANDIGARH**
**Mr. Anand Jha**
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

**COIMBATORE**
**Mr. V Pradeep Kumar**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Ramesh Bob**
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

**JAIPUR**
**Mr. Nikhil Soni**
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr.Pratim Banerjee**
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com


**CIN - L67190MH1993PLC071691**