

Press Release

16 March, 2017

Hi-Tech Fly Ash (India) Private Limited

Rating Downgraded

Total Bank Facilities Rated *	Rs.15.25 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 15.25 crore bank facilities of Hitech Fly Ash (India) Private Limited. The outlook is '**Stable**'.

The rating downgrade is on account of deterioration in the financial risk profile and working capital cycle. Hitech is a Tamil Nadu-based company engaged in the business of fly ash recycling. The company sells the same under the HITEPOZZO brand name.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. T. John Vasigaran, Director has over a decades experience in mechanical fabrication. He is well supported by his father, Mr. P. Thiraviam who has ~40 years of experience in the aforementioned.

- **Moderate financial risk profile**

Hitech has above average financial risk profile marked by low gearing and moderate coverage indicators. The gearing (debt-to-equity) stood at 0.78 times in FY2016 as against 0.64 times in FY2015. The total debt mainly consists of working capital borrowings. The company has interest coverage of 1.59 times in FY2016 as against 1.85 times in FY2015. The DSCR stood at 1.54 times in FY2016 as against 2.25 times in FY2015.

- **Locational advantage**

Hitech has fly ash beneficiation plant in Tuticorin. Tamil Nadu Generation and Distribution Corporation (TANGEDCO) has 5 power stations in Tuticorin. Also the company has proximity to raw material sources. Further, Hitech has MOU with TANGEDCO for assured supply of 600 MT/day of fly ash.

Weaknesses

- **Decline in revenues and profitability**

Hitech's revenue declined in FY2016 to Rs.24.75 cr from Rs.25.39 cr in FY2015. The operating margins fell to 8.63 per cent in FY2016 as against 9.28 per cent in FY2015 mainly on account of lower sales realisations.

- **Customer concentration risk**

The company generates ~90 per cent revenue from two of its customers i.e. CML-MTD Construction Limited Sri Lanka and M/s. Coretec Engineering Qatar. This exposes Hitech to significant customer concentration risk.

- **Working capital intensive operations**

Hitech's working capital intensive operations are reflected in the elongated working capital cycle of 183 days in FY2016 as against 167 days in FY2015. This is mainly on account of increase in inventory holding from 145 days to 157 days and debtors from 64 days to 69 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Hitech will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to Positive in case the company registers higher-than-expected growth in revenues while maintaining profitability and capital structure. Conversely, the outlook may be revised to Negative in case of lower-than-expected growth in revenues and profitability, deterioration in the capital structure or higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

Hitech, incorporated in 2006 is a Tamil Nadu-based company promoted by Mr. Thiraviam John Vasigaran and Ms. John Vasigaran Subha Anna Jothi. The company recycles fly ash and sells it under the HITEPOZZO brand name. Hitech caters mainly to clients in the ready mix concrete industry in the Gulf. The company reported profit after tax (PAT) of Rs. 0.17 cr on operating income of Rs. 24.75 cr in FY2015-16 as compared with PAT of Rs.0.20 cr on operating income of Rs. 25.39 cr in FY2014-15. The tangible net worth for FY2015-16 stood at Rs. 14.40 cr as against Rs. 14.26 cr in the previous year.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Oct-2015	Term Loan	Long Term	INR 1.59	SMERA BB / Stable
	Packing Credit	Short Term	INR 6.75	SMERA A4+
	Bill Discounting	Short Term	INR 6	SMERA A4+
	Proposed Fund Based Facilities	Short Term	INR 0.91	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	30-Jun-2019	1.59	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.75	SMERA A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.91	SMERA A4

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ABOUT SMERA

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