

Press Release

Hi Tech Chemicals Private Limited

January 11, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 91.00 Cr. (Enhanced from Rs. 20.00 crore)
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to Rs. 20.00 crore bank facilities of Hi Tech Chemicals Private Limited (HTPL).

Acuité has reaffirmed and assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 71.00 crore bank facilities of HI TECH CHEMICALS PRIVATE LIMITED (HTPL). The outlook is '**Stable**'.

HTPL was incorporated in 1986 by Mr. Somesh Chandra Bose and Mr. Ashok Kumar Agarwal. The company is engaged in manufacturing of refractories and ceramic items used in steel melting, continuous casting process and blast furnaces of integrated steel plants. Currently, the business is managed by the Agarwal family headed by Mr. Raj Kumar Agarwal (Director).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of HTPL to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations and reputed clientele

Established in 1986, HTPL has a long operational track record of more than three decades in the refractory industry. The long track record has helped HTPL to establish healthy relationship with reputed customers, namely, Tata Steel Limited, RINL- Visakhapatnam and JSW Steel Limited to name a few. It caters to customers PAN India of which 90 percent are from domestic market and rest from overseas markets, i.e., Germany.

• Healthy growth in revenue

The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around 12.47 percent during the last three years ended 31 March, 2018. The company reported significant revenue growth of ~24.23 percent on Y-O-Y basis with operating income of Rs.155.25 crore in FY2018 as against operating income of Rs.124.97 crore in FY2017. The growth in FY2018 was primarily due to increased exports apart from more sales to repeat customers. The company has reported an operating income of around Rs.198.45 crore till 15 December, 2018 (Provisional).

• Healthy financial risk profile

HTPL has healthy financial risk profile marked by tangible net worth of Rs.77.69 crore as on 31 March, 2018 as against Rs.70.16 crore as on 31 March, 2017. The debt to equity ratio stood comfortable at 0.81 times as on 31 March, 2018 as against 0.85 times as on 31 March, 2017. The debt of Rs.63.29 crore mainly consists of working capital borrowing of Rs.51.76 crore and current maturity of term loan of Rs.4.74 crore and unsecured loan of Rs.6.78 crore as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 1.23 times as on 31 March, 2018 as against 1.29 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 4.15 times in FY2018 as against 2.63 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.40 times in FY2018 as against 0.87 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.26 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017.

Weaknesses

• Working capital intensive operations

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 232 days in FY2018 as compared to 231 days in FY2017. The debtor days are high at 144 in FY2018 as compared to 137 days in FY2017. The debtor days are high post the certification issued by the end consumers. Further, the customer issues a certificate and post that it takes around 30-60 days to receive the payment. The inventory days are high at 102 in FY2018 as compared to 104 days in FY2017. These high inventory days are mainly due to process of ageing of raw materials which leads to improvement in the quality of the finished products.

Outlook: Stable

Acuite believes that the outlook on HTPL will remain 'Stable' over the medium term on account of the experience of the promoters and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenues and improvement in working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	155.25	124.97	109.12
EBITDA	Rs. Cr.	24.71	18.65	19.98
PAT	Rs. Cr.	7.54	2.99	2.86
EBITDA Margin	(%)	15.92	14.93	18.31
PAT Margin	(%)	4.85	2.39	2.62
ROCE	(%)	11.10	9.97	22.41
Total Debt/Tangible Net Worth	Times	0.81	0.85	1.01
PBDIT/Interest	Times	4.15	2.63	2.28
Total Debt/PBDIT	Times	2.55	3.20	3.25
Gross Current Assets (Days)	Days	232	231	264

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jan-2019	Cash Credit	Long Term	15.00	ACUITE BBB/ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00 (Enhanced from Rs.15.00 crore)	ACUITE BBB/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00 (Enhanced from Rs.5.00 crore)	ACUITE BBB/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BBB/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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