

## Press Release

### Hi Tech Chemicals Private Limited

January 13, 2020



### Rating Reaffirmed and assigned

<b>Total Bank Facilities Rated*</b>	Rs.114.00 Cr. (Enhanced from Rs.91.00 cr)
<b>Long Term Rating</b>	ACUITE BBB+ /Stable (Reaffirmed and assigned)
<b>Short Term Rating</b>	ACUITE A2 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed and assigned a long term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and reaffirmed a short term rating of '**ACUITE A2**' (**read as ACUITE A two**) to Rs.114 crores bank facilities of Hi-Tech Chemicals Private Limited (HCPL). The outlook is '**Stable**'.

Hi-Tech Chemicals Private Limited was incorporated in 1986 by Mr. Somesh Chandra Bose and Mr. Ashok Kumar Agarwal. Currently the company is headed by Mr. Raj Kumar Agarwal, Ms. Prabha Agarwal, Mr. Ranjit Kumar Bagchi and Mr. Rahul 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. The raw materials required are Chrome sand, Alumina, Resin, Bauxite, and Graphite procured both from domestic and imported from South Africa and Hong Kong. The finished products are Nozzlex, Slag Arresting Dart, Slide Gate refractory, Tap Hole Clay & Trough Mass, CCR Refractory supplied and exported to reputed clients like Tata Steel Ltd., RINL- Visakhapatnam, Sheffield Hitech Refractory (Germany), JSW Steel Ltd, only to name a few.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HCPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and Long track record of operations**

Established in 1986, Hi-Tech Chemicals Private Limited (HCPL) has a long operational track record of more than three decades in the refractory industry. Acuité believes the long track record has helped HCPL to establish healthy relationship with suppliers and reputed customers and ensure repeat orders.

- **Significant growth in revenue and Healthy order book position**

HCPL has achieved revenues of Rs.237.51 crores in FY2019 as compared to revenues of Rs.155.25 crores in FY2018, thereby registering a y-o-y growth of 53 per cent. The growth in top line is on account of volume growth in Continuous Casting Refractory (CCR) driven by demand from steel companies and improved capacity utilization. The capacity utilization of the company significantly increased to meet the growing demand which is due to the revival of steel sector. The capacity utilization increased primarily for the products CCR to 81 per cent in FY2019 from 46 per cent in FY2018, Spray Mass to 89 per cent in FY2019 from 51 per cent in FY2018, Dart & PTP to 75 per cent in FY2019 from 52 per cent in FY2018, Precast to 71 per cent in FY2019 from 45 per cent in FY2018, and Nozzlex to 84 per cent in FY2019 from 79 per cent in FY2018. Moreover, the company has achieved revenues of around Rs.159.73 crore till October 2019 (Provisional). In addition to this, the company has a healthy order book position as on 31st October, 2019 to the tune of Rs.204 crores. Out of this, orders amounting Rs.145.37 crores are expected to be executed by 31st March 2020.

- **Healthy relationship with reputed Customers and suppliers**

The company has built strong relationship of more than 25 years with reputed domestic customers, namely, Tata Steel Limited, Visakhapatnam Steel Plant (RINL) and Steel Authority of India Limited (SAIL). Also, it has a relationship of 9 years with Sheffield Hi-Tech Refractories (Germany). HCPL has established relationship for more than 10 year with suppliers, namely, Hindalco Industries Limited, Almatis Alumina Private Limited, Golchha Enterprises Private Limited, Carborundum Universal Limited and Orient Abrasives Limited.

- **Healthy financial risk profile**

The company's financial risk profile is marked by modest networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.93.01 crores as on 31<sup>st</sup> March, 2019 from Rs. 77.69 crores as on 31<sup>st</sup> March, 2018 due to retention of profits. Gearing of the company stood comfortable at 0.80 times as on 31<sup>st</sup> March, 2019 as against 0.81 times as on 31<sup>st</sup> March, 2018. The debt of Rs.74.46 crore mainly consists of long term debt of Rs.5.98 crore and working capital borrowing of Rs.58.97 crore and current maturity of term loan of Rs.0.30 crore and unsecured loan of Rs.9.21 crore as on 31<sup>st</sup> March, 2019. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 6.42 times as on 31<sup>st</sup> March, 2019 as against 4.15 times as on 31<sup>st</sup> March, 2018 and the Debt Service Coverage Ratio stood comfortable at 2.78 times as on 31<sup>st</sup> March, 2019 as against 1.40 times as on 31<sup>st</sup> March, 2018. Acuité believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals and in absence of any major debt funded capex plans.

### **Weakness**

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 218 days in 31<sup>st</sup> March, 2019 as compared to 232 days in 31<sup>st</sup> March, 2018. The GCA days are high due to high debtor period which is at 145 days in 31<sup>st</sup> March, 2019 as compared to 144 days in 31<sup>st</sup> March, 2018. The debtor days are high due to higher realization period from customers as performance guarantees are applied to the products. Further, the GCA days are high due to moderate inventory days at 81 in 31<sup>st</sup> March, 2019 as compared to 102 days as on 31<sup>st</sup> March, 2018. 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.

### **Rating Sensitivity**

- Improvement in the scale of operation while maintaining profitability margin
- Working capital management in operations

### **Material Covenant**

None

### **Liquidity Profile**

The company's liquidity is adequate marked by moderate net cash accruals of Rs.22.99 crores in 31<sup>st</sup> March, 2019 as against long term debt repayment of Rs.0.30 crores over the same period. The current ratio stood at 1.47 times as on 31<sup>st</sup> March, 2019 as compared to 1.23 times as on 31<sup>st</sup> March, 2018. The fund based limit remains utilised at 80 percent over the twelve months ended June, 2019. The cash and bank balances of the company stood at Rs. 0.14 crores as on 31<sup>st</sup> March, 2019 as compared to Rs. 0.18 as on 31<sup>st</sup> March, 2018. However, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 218 days in 31<sup>st</sup> March, 2019 as against 232 days in 31<sup>st</sup> March, 2018. Acuité believes that going forward the company will maintain healthy liquidity position backed by net cash accruals.

### **Outlook: Stable**

Acuité believes that the outlook on HTCPL will remain 'Stable' over the medium term on account of vast experience of the promoters, long track record of operations and reputed customer base. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenues and shows improvement in working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirement or deterioration of financial risk profile and stretch in liquidity profile.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	237.51	155.25
PAT	Rs. Cr.	15.35	7.54
PAT Margin	(%)	6.46	4.85
Total Debt/Tangible Net Worth	Times	0.80	0.81
PBDIT/Interest	Times	6.42	4.15

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

CRISIL, vide its press release dated May 21, 2019 had denoted the rating of Hi-Tech Chemicals Private Limited as 'CRISIL BB+/Stable/A4+; ISSUER NOT COOPERATING'

### Any other information

Not Applicable

### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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
29-Nov-2019	Cash Credit	Long Term	40.00	ACUITE BBB+/Stable (Upgraded from BBB/Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB+/Stable (Upgraded from BBB/Stable)
	Term Loan	Long Term	8.50 (reduced from Rs.10.50 crore)	ACUITE BBB+/Stable (Upgraded from BBB/Stable)
	Letter of Credit	Short Term	7.00	ACUITE A2 (Upgraded from A3+)
	Letter of Credit	Short Term	2.00	ACUITE A2 (Upgraded from A3+)
	Bank Guarantee	Short Term	4.00	ACUITE A2 (Upgraded from A3+)
	Bank Guarantee	Short Term	4.50	ACUITE A2 (Upgraded from A3+)
11-Jan-2019	Cash Credit	Long Term	40.00 (enhanced from Rs. 15.00 crores)	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	25.00 (enhanced from Rs. 5.00 crores)	ACUITE BBB/Stable (Reaffirmed)
	Term Loan	Long Term	10.50	ACUITE BBB/Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Assigned)

	Letter of Credit	Short Term	2.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3+ (Assigned)
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	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.50 (enhanced from Rs.8.50 crore)	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BBB+/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A2 (Reaffirmed)

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**About Acuité Ratings & Research:**

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