

Press Release

Hi Tech Ferrous and Non Ferrous India Private Limited

April 01, 2019



Rating Reaffirmed

Total Bank Facilities Rated	Rs.26.52 crore
Long Term Rating	ACUITE B/ Stable (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs.26.52 crore bank facilities of Hi Tech Ferrous and Non Ferrous India Private Limited (HTPL). The outlook is '**Stable**'.

HTPL is a Ghaziabad based company established in 2009 by Mr. Pradeep Garg and his family. The company is engaged in manufacturing of CHQ Wires and supplies them to auto ancillary manufacturing companies.

Analytical Approach

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

Key Rating Drivers

Strengths:

Experienced management

The Directors of the company, Mr. Pradeep Garg, Ms. Nisha Garg, Ms. Neelam Garg and Mr. Prabal Garg have almost a decade of experience in the business.

Weaknesses:

Moderate financial risk profile

The company's financial risk profile is average marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.6.93 crore as on 31 March, 2018 as against Rs.5.76 crore in the previous year. The gearing stood high at 3.47 times as on 31 March, 2018 as compared to 3.36 times in the previous year on account of debt funded capital expenditure towards new plant setup. Total debt of Rs.24.08 crore consist of Rs.13.65 crore of term loan, Rs.1.86 crore of unsecured loans from Directors and relatives and working capital of Rs.8.57 crore. Moreover, the debt protection metrics is moderate marked by interest coverage ratio (ICR) of 1.84 times in FY2018 against 2.52 times in FY2017 and debt service coverage ratio (DSCR) of 1.65 times as on March 31, 2018.

Working capital intensive

The operations are working capital intensive as marked by gross current asset (GCA) of 169 days in FY2018 as against 143 days in the previous year. The high GCA days are due to extended credit offered to customers, which is reflected from the debtor days of 113 days in FY2018 as against 111 days in the previous year. Further, the inventory days stood at 22 days in FY2018 as against 18 days in the previous year.

Liquidity profile

Liquidity profile of HTPL is moderate marked by net cash accruals of Rs.1.09 crore during FY18 against maturing debt obligations of Rs.0.07 crore over the same period. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 169 in FY 2018 and the cash credit limit of the company remains utilised at 95 percent during the last nine months ended December 2018. The current ratio of the company stood modest at 1.52 times as on March 31, 2018.

Outlook: Stable

Acuité believes that the outlook on HTPL's rated facilities will remain 'Stable' over the medium term on account of its promoters' extensive experience. The outlook may be revised to 'Positive' in case of significant improvement in its revenue and profitability along with improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company's revenue and profitability decline or if its financial risk profile weakens or the working capital cycle further elongates.

About the Rated Entity Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	47.71	51.97	53.01
EBITDA	Rs. Cr.	2.78	3.57	2.00
PAT	Rs. Cr.	0.37	0.94	0.36
EBITDA Margin	(%)	5.84	6.87	3.78
PAT Margin	(%)	0.79	1.81	0.67
ROCE	(%)	7.42	14.64	21.19
Total Debt/Tangible Net Worth	Times	3.47	3.36	4.13
PBDIT/Interest	Times	1.84	2.52	2.27
Total Debt/PBDIT	Times	8.67	5.41	5.16
Gross Current Assets (Days)	Days	169	143	95

Status of non-cooperation with previous CRA:

Not Applicable

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
22-Mar -2019	Cash Credit	Long Term	12.50	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	9.26	ACUITE B/Stable (Assigned)
	Proposed Long Term Facility	Long Term	2.00	ACUITE B/Stable (Assigned)
	Long Term Facility	Long Term	0.76	ACUITE B/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	12.50	ACUITE B/ Stable (Reaffirmed)

Term Loans	Not Applicable	Not Applicable	Not Applicable	9.26	ACUITE B/ Stable (Reaffirmed)
Proposed Long Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/ Stable (Reaffirmed)
Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.11	ACUITE B/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE B/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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