

**Rating Rationale**

**Hindusthan Urban Infrastructure Ltd**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities amounting to ₹ 354.38 crs of Hindusthan Urban Infrastructure Ltd ('HUIL' or 'The Company')**

Facility**	Previous Amount Rated (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	Previous Ratings (Feb, 2020)	Ratings Assigned*
Fund based	111.42	100.13	Long Term	BWR BBB- Stable	BWR BBB- Stable Reaffirmed
Non Fund Based	279.00	254.25	Short Term	BWR A3	BWR A3 Reaffirmed
<b>Total</b>	<b>390.42</b>	<b>354.38</b>	<b>INR Three Hundred Fifty Four Crores and Thirty Eight Lakhs Only</b>		

\*\* Details of facilities given in Annexure I.

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Rating Action/Outlook :**

Brickwork Ratings (BWR) has reaffirmed a long-term rating to BWR BBB- (Stable) and short-term rating to BWR A3 to the bank loan facilities of Hindusthan Urban Infrastructure Ltd (HUIL or the company).

The rating affirmed factors in the company's experienced promoters, established a long track record of over six decades, diversified product portfolio with reputed customer base, improved debt protection metrics and profitability margins . However, these strengths are partially offset by decline in total operating income (TOI), significant support extended to a subsidiary, volatility in raw material prices and inherent risk of the industry along with intense competition.

The outlook is Stable as the company was able to sustain revenues from business operations in FY20, 9MFY21 and has a modest order book of Rs. 188.64 crs; which provides revenue visibility in the medium term.

BWR has principally relied upon the standalone audited financial results of HUIL upto 31st March 2020, 9MFY21 unaudited financials and projected financials for FY21 and FY22 and publicly available information/ clarifications provided by the company's management.

## **Credit Strengths**

- **Established track record of operations and experienced management:**  
The company commenced its operations in 1959 and has a successful track record of more than six decades in the existing line of business. HUIL's long track record and the extensive experience of promoters have helped establish relations with various stakeholders for its business. The company was established and is managed by the Mody family, holding 74.91% equity stake in HUIL as of December 31, 2020. Furthermore, the promoters are assisted by a team of experienced professionals in managing the company's daily business operations.
- **Diversified product portfolio and reputed customer profile:**  
The company manufactures & sells various types of conductors and insulators. The products manufactured find end use power and discoms. HUIL client base consists of government and private clients, such as Powergrid Corporation of India Ltd (PCIL), Larsen & Toubro Ltd (L&T), Tata Projects Ltd (TPL), Madhyanchal Vidyut Vitran Nigam Ltd (MVVNL), West Bengal State Electricity Distribution Company Ltd (WBSEDCL), Siemens Ltd, ABB India Ltd, Kalpataru Power Transmission Ltd (KPTL) etc., in various states, including West Bengal, Uttar Pradesh, Tamil Nadu, Orissa, Assam, Haryana, Madhya Pradesh and Gujarat. Thus, the company's counterparty credit risk is low.
- **Improved profitability margins:**  
The operating profit margins (OPM) and net profit margins (NPM) improved to 9.12% and 1.20% respectively in FY20 as compared to 6.16% and 0.32% respectively in FY19.
- **Improved debt protection metrics and comfortable financial risk profile :**  
Debt coverage indicators, the interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR), improved to 1.53x and 1.25x, respectively, in FY20 from 1.34x and 1.10x, respectively, in FY19. TNW improved to Rs. 455.32 Cr in FY20 from Rs. 449.27 Cr in FY19. The gearing remained comfortable at 0.32x in FY20.

## **Credit weaknesses**

- **Significant support extended to a subsidiary:**  
HUIL has extended significant funding support to its subsidiary, Hindusthan Speciality Chemicals Limited (HSCL), by way of equity investment and short term loans (₹ 128.45 crs as of March 31, 2020). It has also extended a corporate guarantee of ₹ 181.80 crs to the lenders of HSCL, a subsidiary operating in the manufacturing of chemical business.
- **Decline in total operating income:**  
TOI has declined by 34.10% to Rs. 462.94 Crs in FY19 from Rs. 702.55 Crs in FY18 mainly due to decline in sales of conductor division as well as due to few postponement of deliveries from the customer's side. In 9MFY21 the company achieved an TOI of Rs.



220.05 Crs with a net loss of Rs -1.00 cr. TOI is likely to decline further in FY21 due to the impact of covid-19 in Q1FY21.

- **Volatility in raw materials:**

Volatility in raw material prices continue to be a risk factor beyond the control of the company which to some extent is mitigated as the company now enters into contracts wherein increase in raw material prices are passed through.

- **Inherent risk of the industry along with intense competition:**

The company participates in tenders floated by its customers mainly the power generating companies. As there is uncertainty of orders, the business is exposed to demand side risk.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). BWR has considered the standalone approach to arrive at the rating.

### **RATING SENSITIVITIES**

**Upward:** BWR may revise the ratings upward in the case of a substantial improvement in the scale of operations, alongwith sustenance of net debt to EBITDA below 3.00 x, and ISCR above 2.50x .

**Downward:** BWR may revise the rating downward in the case of a reduction in the EBITDA margins, deterioration in debt protection metrics (ISCR below 1.50x) and scale of operations. Also if any further investment in subsidiary HSCL.

### **Liquidity Position (Adequate)**

The company has an adequate liquidity position. There are only long term secured borrowings from banks amounting to Rs. 38.23 Crs as on 31st March 2020. Against a CPLTD (current portion of long term debt) of Rs 10.83 Crs in FY20, the company had a cash accruals of Rs. 20.31 Crs in FY20. The company projected to generate cash accruals of Rs. 21.55 Crs in FY21 against a CPLTD of Rs 12.02 Crs, thereby indicating an adequate liquidity position. The average utilization of working capital bank limits of the company stood around 83% during the last 12 months ending 28th Feb 2021.

### **About the entity:**

Hindusthan Urban Infrastructure Limited (HUIL) was established in 1959 and is currently headed by chairman, Mr.Raghavendra Anant Mody. It is a leading manufacturer of overhead conductors and electro-porcelain high tension insulators such as Disc, solidcore, hollow and railway. Its operations can be classified into two divisions,viz, conductors and insulators.The conductor manufacturing units are located in Khurda,Orissa and Guwahati, Assam with a combined installed capacity of 66,000 metric ton per annum (MTPA) and insulator manufacturing unit is located in Bhopal, Madhya Pradesh with installed capacity of 15,380 MTPA. It is listed on the Bombay stock exchange (BSE).It is an ISO certified company.

**Key Financial Indicators (Standalone)**

<b>Key Financials</b>			
<b>Result Type</b>	<b>Units</b>	<b>31/Mar/2019</b>	<b>31/Mar/2020</b>
		<b>Audited</b>	<b>Audited</b>
Total Operating Income	₹ Cr	702.55	462.94
OPBDIT	₹ Cr	43.29	42.23
PAT	₹ Cr	2.23	5.56
Tangible Net Worth	₹ Cr	449.27	455.32
Total Debt/TNW	Times	0.28	0.32
Current Ratio	Times	1.36	1.50

**Key covenants of the instrument/facility rated:** Not Applicable

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:** NA

**Any other information:** NA

**Rating History for the last three years: (Including suspended/withdrawn ratings)**

S.No	Name of Instrument	Current Rating (2021)				Rating History		
		Type	Tenure	Amount (In Crs)	Rating	14 Feb 2020	17 Jan 2019	2018
1	Bank Loan	Fund Based	Long Term	100.13	BWR BBB-Stable Reaffirmed	BWR BBB-Stable	BWR BBB-Stable	-
		Non Fund Based	Short Term	254.25	BWR A3 Reaffirmed	BWR A3	BWR A3	-
Total				354.38	INR Three Hundred Fifty Four Crores and Thirty Eight Lakhs Only			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria - Manufacturing Sector Entities](#)
- [Short Term Debt](#)

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**Hindusthan Urban Infrastructure Limited**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	CC	80.00	-	80.00
	Term Loan	17.05	-	17.05
	Covid Loan-WC	3.08	-	3.08
	BG	-	174.25	174.25
	ILC/FLC		80.00	80.00
<b>TOTAL</b>				<b>354.38</b>

**Total: INR Three Hundred Fifty Four Crores and Thirty Eight Lakhs Only**



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