Rating Rationale

Hindusthan Calcined Metals Pvt. Ltd

15Apr2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.25 Crores of Hindusthan Calcined Metals Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	1.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) (Outlook : Stable)
Bill Discounting	5.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Non Fund Based Letter of Credit	2.00		
Credit Equivalent Limit (CEL)	0.25		
Total	8.25	INR Eight Crores and Twenty Five lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results up to FY18, projected financials upto FY20, publicly available information and information/clarifications provided by the management.

The rating, inter alia, has factored the management experience, reputed clientele base, established operational track record, increased revenue and comfortable interest coverage factor and low gearing level. However the rating is constrained by modest scale of operations, moderate tangible net worth, thin net profit margin, vulnerability of price of inputs and information risk etc.

Going forward, the company's ability to efficiently manage its working capital requirements, improve scale of operations & Margins, service the debt obligations promptly and enhance its capital position are the key rating sensitivities.

Description of Key Rating Drivers
Credit Strengths: The Directors experience for 2 decades in the same line of business, the company's major customers are A One Ispat Pvt Ltd, Bhagyalaxmi Rolling Mill Pvt Ltd and Shri Jindal Tor (India) Pvt Ltd etc.,In FY18 the revenue increased to Rs. 92.01 Crs against Rs. 69.39 Crs in FY17 and in FY18 comfortable interest service factor indicated by ISCR @ 6.05x and gearing ratio @ 0.01x.
Credit Risks: Modest scale of operations, moderate tangible net worth of Rs. 15.08 Crs, thin net profit margin @ 3.25% in FY18, vulnerability of price of inputs and information risk on account of non availability of latest sanction letters etc.
Liquidity position : The company has reported current ratio of 1.43 times in FY18 which indicates adequate liquidity position. As on 31-3-2018 the cash balance is Rs. 0.18 Crs. The average cash credit utilization is 40% which indicates comfortable liquidity position. However the management has the ability to infuse capital as and when required.

Analytical Approach

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

Rating Outlook: Stable

BWR believes the **Hindusthan Calcined Metals Pvt. Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

M/s. Hindusthan Calcined Metals Pvt. Ltd (HCMPL) was incorporated as a private limited company in the year 2003. The registered Office is located in Bellary, Karnataka. Smt. Manju Modi , Smt. Swetha Gupta are the directors of the Company. The Company is engaged in Manufacturing Sponge Iron. The company has a plant with an installed capacity of 200 MT per day and currently operating at 90% of utilized Capacity. Other group companies of HCMPL are involved in Mining and related businesses.

Financial Performance

As per audited financials of FY18, The Company has reported total operating income of ₹ 92.01 Crs, operating profit margin is at 6.17% and net profit margin of 3.25% in FY18. The Company has a net worth of ₹ 15.08 Crs in FY18. Debt Equity ratio of the Company stood at 0.01 times in FY18. The Company has reported ISCR of 6.05x in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	92.01	69.39
EBITDA	₹ Cr	5.67	1.93
PAT	₹ Cr	2.99	0.02
Tangible Net worth	₹ Cr	15.08	12.10
Total Debt/Tangible Net worth	Times	0.00	0.74
Current Ratio	Times	1.41	1.21

Rating History for the last three years

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	2018	2017	2016
Fund Based	Long Term	1.00	**BWR BB- (Pronounced as BWR Double B Minus) (Outlook : Stable)**	**Not Rated**		
Fund Based	Short Term	5.00	**BWR A4 (Pronounced as BWR A Four)**			
Non Fund Based	Short Term	2.25				
Total		**8.25**	**INR Eight Crores and Twenty Five lakhs Only**			

Status of non-cooperation with previous CRA - Nil
Any other information : Nil

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt
- Manufacturing Companies

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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