

**Hindusthan Urban Infrastructure Limited**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities amounting to ₹ 390.42 Cr of Hindusthan Urban Infrastructure Limited ('HUIL' or 'The Company')**

**Facilities	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	Previous Rating (Jan, 2019)	Rating Reaffirmed
<b>Fund Based</b>	124.35	111.42	Long Term	<b>BWR BBB-Stable</b>	<b>BWR BBB-Stable (Reaffirmation)</b>
<b>Non-fund Based</b>	284.00	279.00	Short Term	<b>BWR A3</b>	<b>BWR A3 (Reaffirmation)</b>
<b>Total</b>	408.35	390.42	INR Three Hundred Ninety Crores and Forty Two Lakhs Only		

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

Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

**Rating Action/Outlook:**

BWR has reaffirmed the long term rating of BWR BBB- (Stable) and Short term rating of A3.

The rating continues to factor in a strong group profile with vast experience of the promoters, long standing relationship with its suppliers and customers, consistent funding support from the group companies, diversified product portfolio and satisfactory operational & financial performance during FY19 and H1FY20. However, the rating is constrained by moderate order book position, susceptibility to volatility in input price & currency fluctuations, tender based nature of operations, presence in the intensely competitive nature of the industry and corporate guarantee extended by the company on behalf of its subsidiary companies (Hindusthan Speciality Chemicals Limited: INR 181.80 crores, Hindusthan Engineering Industries Limited: INR5.72 crores).

The outlook is stable as the company has been able to sustain the revenues from business operations in H1FY20.

Going forward, the ability of the company to improve its total operating income, operating profit margins & coverage ratios would be the key rating sensitivities.

BWR has principally relied upon the standalone audited financial results of HUIL upto 31st March 2019, H1FY20 provisionals and projected financials for FY20 and FY21 & publicly available information & information/ clarifications provided by the company's management.

### Key Rating Strengths

- **Extensive experience of management & group track record** - The company is a listed company at BSE which has been in the manufacturing business for almost six decades now and is a part of “Hindusthan Group” which was founded by Mr. Rajendra Prasad Mody in 1947. The company is presently headed by Mr. Raghavendra Anant Mody who is ably assisted by the Vice Chairman and Managing Director, Mr. Shyam Sunder Bhuwania who is having 47 years of professional experience with him and has been managing the company’s activities since 1975. The operations of the company are managed by well qualified and experienced senior management team
- **Established customer base:**HUIL has a long track record of operation and has created an established relationship with its customer base. For the conductor business, the company derives major revenue from the government PSUs and Transmission & Distribution (T&D) companies like Power Grid Corporation of India Limited (PGCIL), Larsen & Tubro Limited, Purvanchal Vidyut Vitran Nigam Limited (PUVVNL) and UP Power Transmission Corporation Limited .For insulators business company drive revenue from reputed clientele like Crompton Greaves Limited, GE Limited, ABB India Ltd and Siemens India Ltd. The company has been able to procure orders worth INR 283.31 crores as on Dec 31,2019 which indicates future revenue visibility.
- **Consistent funding support from the group company-** There is consistent funding support from the group companies. Interest bearing unsecured loans and interest payable on the same has been converted into redeemable preference shares with a coupon of 1% and redeemable after 20 years. It will also reduce interest burden and improve profitability.
- **Low gearing-** Low gearing ratio of 0.28x in FY19 (FY18: 0.41x ) indicates safety of the business as the company has less dependence on outside finance.

### Credit weaknesses

- **Moderate Financial Risk profile with low profit margins:**The operational performance of the company has continued to deteriorate with a declining trend in operating income for past few years which continued in FY19, coupled with fluctuation in key raw material prices. TOI has declined to INR 699.07 Crs in FY19 from INR 705.46 Crs in FY18 (FY17: INR 726.78 Crs). Net profit margins stood at 0.32% & Operating profit margins at 5.69% in FY19. Moderate working capital cycle of 48 days in FY19 (FY18: 49 days). In H1FY20 company has achieved an total operating of INR 283.56 Crs with a PAT of INR4.19 Crs. TOI is likely to decline further in FY20 due to low revenue in the conductor division & closure of power generation business.
- **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 pass through
- **Corporate Guarantee given by the company on behalf of the subsidiary company & non current investments:**The company has extended its corporate guarantee of Rs.181.80 crores to the lenders of its subsidiary company, Hindusthan Speciality Chemicals Limited (HSCL). The company has sizeable investments of INR 205.84 Crs in Land & Building and INR 84.59 Crs in subsidiary company HSCL.

- **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 detailed below.

BWR has analysed HUIL's credit profile by considering standalone financial statements of the company.

### **RATING SENSITIVITIES**

**Positive:** BWR may revise the rating outlook to positive, in case of improved operating income & profitability margins, reduction in operating cycle & debt levels and strengthening the financial risk profile of the company.

**Negative:** BWR may revise the rating outlook to Negative, in case reduction in operating income & profitability margins, increase in operating cycle & debt levels thereby impacting the credit profile of the company.

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

The company has an adequate liquidity position. There are long term borrowings from banks amounting to INR 43.48 Crs as on 31st March 2019. Against a CPLTD of INR 12.63 Crs in FY19, the company had a cash accruals of INR 17.19 Crs in FY19 and with a CPLTD of INR 10.83 Crs in FY20, the firm projected to generate cash accruals of INR 31.80 Crs in FY20, thereby indicating a comfortable liquidity position for repayment of debt obligations. Utilization of working capital limits is around 80%.

### **About HUIL:**

Hindusthan Urban Infrastructure Limited (HUIL) is a leading manufacturer of overhead conductors and electro-porcelain high tension insulators such as solid core insulator, hollow etc. Established in 1959, the company is a part of the "Hindusthan Group" which is India's largest steel foundry private enterprise. Presently, HUIL's operations can be classified into two divisions, viz, conductors and insulators. Principal manufacturing units are located at Madhya Pradesh, Assam and Odisha. The business has been founded by Mr. R.P. Mody who was the former Executive Chairman as well. He is also the past president of Indian Chamber of Commerce, Kolkata. The company is having global presence in 41 countries like USA, Canada, Dubai, Germany, Sri Lanka, Afghanistan, Italy, Poland, Sweden, Iran, Iraq etc

### Key Financial Indicators (Standalone)

Key Financials			
Result Type	Units	31/Mar/2018	31/Mar/2019
		Audited	Audited
Total Operating Income	INR Crs	705.46	699.07
OPBDIT	INR Crs	39.54	39.80
PAT	INR Crs	1.93	2.23
Tangible Net Worth	INR Crs	403.00	449.27
Debt/TNW	Times	0.41	0.28
Current Ratio	Times	1.14	1.36

**Key Covenants of the Instrument/Facility Rated:** Not Applicable

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

**Any other information:** NA

### Rating History for the last three years:

S.No	Name of Instrument	Current Rating (2020)				Rating History		
		Type	Tenure	Amount Rated (In Crs)	Rating	2019	2018	2017
1	Bank Loan	Fund Based	Long Term	90.00	BWR BBB-Stable Reaffirmation	BWR BBB-Stable	-	-
		Fund Based	Long Term	21.42	BWR BBB-Stable Reaffirmation	BWR BBB-Stable	-	-
		Non Fund Based	Short Term	100.00	BWR A3 Reaffirmation	BWR A3	-	-
		Non Fund Based	Short Term	179.00	BWR A3 Reaffirmation	BWR A3	-	-
	Total			390.42	INR Three Hundred Ninety Crores and Forty Two 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](#)

<u>Analytical Contacts</u>	<u>Investor and Media Relations</u>
<p><b>Shivam Bhasin</b> Senior Rating Analyst Board: +911123412232 <a href="mailto:shivam.b@brickworkratings.com">shivam.b@brickworkratings.com</a></p> <p><b>R K Sharma</b> Sr. Director – Ratings Board: +911123412232 <a href="mailto:rksharma@brickworkratings.com">rksharma@brickworkratings.com</a></p>	<p><u>Liena Thakur</u> <u>Assistant Vice President - Corporate Communications</u> <u>+91 84339 94686</u> <u>liena.t@brickworkratings.com</u></p>

**Hindusthan Urban Infrastructure Limited**

**ANNEXURE I  
Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Canara Bank	Cash Credit	40.00	-	40.00
		Term Loan	18.48	-	18.48
		LC	-	100.00	100.00
		Bank Guarantee	-	155.00	155.00
2	State Bank of India	Cash Credit	40.00	-	40.00
		Term Loan	2.94	-	2.94
		Bank Guarantee	-	14.00	14.00
3	IDBIBank	Cash Credit	10.00	-	10.00
		Bank Guarantee	-	10.00	10.00
<b>TOTAL</b>					<b>390.42</b>

**Total: INR Three Hundred Ninety Crores and Forty Two Lakhs Only**



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**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.

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