# Hi Bond Cement India Private Limited

**July 02, 2020**

**Ratings**

| Instrument / Facility | Amount (INR Crore) | Ratings | Rating Action |
|---|---|---|---|
| Long Term Facility – Term Loan | 12.65 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) | Reaffirmed |
| Long Term Facility – Fund Based | 30.00 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) | Reaffirmed |
| Long Term Facility – Non Fund Based | 2.00 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) | Assigned |
| **Total** | **44.65** | | |

**Details of Facility are in Annexure 1**

**Detailed Rationale**

The aforesaid rating assigned to the bank facilities of Hi Bond Cement India Private Limited continues to derives comfort from its experienced promoters & management team, diversified client base, healthy revenue growth & stable EBITDA margin, comfortable capital structure & debt protection metrics. However, the rating strengths are partially offset by Input costs related risk, intensely competitive and cyclical nature of the cement industry.

**Key Rating Sensitivities**

**Upward factors**:

Substantial & sustained improvement in revenue while maintaining profitability & debt protection metrics.

**Downward factors**:

Any decline in revenue and profitability and/or debt led capex leading to deterioration of TOL/TNW below 1.5x on a sustained basis

**Key Rating Drivers with detailed description**

**Key Rating Strengths**

**Experienced promoters & management team**

The company is being managed by experienced directors and promoters. Collectively, they have rich experience in the cement industry and are instrumental in setting up and developing the company. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers. The company has a team of experienced and capable professionals, having over a two decade of experience in the segment, to look after the overall management. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background

**Diversified client base**

With promoters' extensive experience, established network with the distributors, the company has been able to gather a diversified client base. The top five customers of the company only account for 6.61% of the sales indicating a diversified client base.

**Healthy revenue growth & Stable EBITDA margin**

The Company's topline is on a steady increase with a CAGR of ~21% in the last three years ended FY19 as the company has established a good presence in the regions and established a strong distribution network over the years. The EBITDA margin remains range bound between 11.51% - 12.86% in the last three years ended FY19. The EBITDA margin is also supported by 12MW waste heat recovery boiler (WHRB) Plant. During FY20 (Prov.) the company had achieved a revenue of INR 514.79.

**Comfortable capital structure & debt protection metrics**

The Interest coverage ratio of the company stood at 8.24x in FY 19 and 8.32x in FY18. The overall capital structure of the company looks strong. The overall gearing ratio stands at 0.34 in FY19 and 0.64 in FY18. The long term debt to GCA stands at 0.34 in FY19 and 0.64 in FY18. The TOL to TNW stands at 1.05 in FY19 and 1.49 in FY18. The company cash conversion cycle also remained comfortable & stable at below 90 days in the last three years ended FY19.

**Key Rating Weaknesses**

**Input costs related risk and cyclicality in cement industry**

The profitability is susceptible to volatility in input costs, such as material, power, fuel and freight costs in line with the industry. For instance, in fiscal 2018, the operating profits were impacted by issues such as, ban on petcoke in Rajasthan and shortage of railway rakes, Industry operating margins in fiscal 2019 were impacted by higher cost pet coke and diesel**.**

**Intensely competitive industry**

Cement industry is one of the highly competitive markets in India. Many players in the industry have huge amounts of capital invested in the business which raises the exit barrier for the companies and hence the companies compete aggressively. Also the product differentiation is marginal thereby customer stickiness remains low. Hence companies compete intensely to gain market share.

**Analytical Approach & Applicable Criteria**

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**<u>About the Company</u>**

Incorporated in 2007, based out of Rajkot, Gujarat. The company is primarily engaged in manufacturing of cement mainly Ordinary Portland Cement (OPC), Pozzolana Portland Cement (PPC) and Slag Cement.  The plant capacity of the company is 1.3 million ton per annum.

**Financials (Standalone)** **(Rs. Crore)**

| **For the year ended / As on*** | **31-03-2018** | **31-03-2019** |
|---|---|---|
| | **Audited** | **Audited** |
| Total Operating Income | 300.83 | 315.02 |
| Interest | 4.16 | 4.64 |
| PAT | 15.15 | 19.17 |
| Tangible Net worth | 60.81 | 79.50 |
| Ratios | | |
| PAT Margin (%) | 5.68 | 6.69 |
| Overall Gearing Ratio | 0.64 | 0.34 |

**as per Infomerics standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

| S. No. | Name of Instrument/ Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (INR Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 (March 26, 2019) | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 1. | Fund Based Limits – Term Loan | Long Term | 12.65 | IVR BBB+/ Stable outlook | IVR BBB+/ Stable outlook | -- | -- |
| 2. | Fund Based Limits – Cash Credit | Long Term | 30.00 | IVR BBB+/ Stable outlook | IVR BBB+/ Stable outlook | -- | -- |
| 3. | Non Fund Based Limits – Bank Guarantee | Long Term | 2.00 | IVR BBB+/ Stable outlook | -- | -- | -- |

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

**Name and Contact Details of the Rating Analyst:**

| | |
|---|---|
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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facility**

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date/Tenure | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|
| Long Term Debt – Term Loan | - | - | March 2023 | 12.65 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) |
| Long Term Facility – Fund Based - Cash Credit | - | - | - | 30.00 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) |
| Long Term Facility – Non Fund Based – Bank Guarantee | - | - | - | 2.00 | IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook) |