Press Release

Hi Bond Cement India Private Limited

March 26, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Facility – Term Loan	12.65	IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook)	Assigned
2.	Long Term Facility – Fund Based – Cash Credit	30.00	IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Hi Bond Cement India Private Limited derives comfort from its experienced promoters & management team, diversified client base, healthy revenue growth & Stable EBITDA margin and comfortable capital structure & debt protection metrics. However, the rating strengths are partially offset by Input costs related risk and cyclicality in cement industry and intensely competitive 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 21.23% in the last three years ended FY19, in FY19 it increased to INR 315.02 Crore from INR 300.83 Crore in FY18 and in FY18 it increased to INR 300.83 Crores from INR 214.34 in FY17 as company has established a good presence in the regions it operates along with promoters' strong relationships established with the distribution network over the years. In eight months FY20, it has achieved the revenue of around INR 258.00 crores. 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.

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)

Liquidity: Strong

The current ratio and quick ratio remained comfortable at 1.90x and 0.61x respectively as on March 31, 2019. The company's cash flow from operation also remains adequate. The liquidity of the company expected to remain Strong in the near to medium term in view of sufficient cash accruals in comparison to debt repayment.. Due to better management of cash conversion cycle the average utilization of working capital limits during the last twelve months ended FY19 remained almost nil.

About the Company

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:

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	300.83	315.02
EBITDA	34.64	38.21
PAT	15.15	19.17
Total Debt	29.58	34.26
Tangible Net-worth	60.81	79.50
Ratios		
EBITDA Margin (%)	11.51	12.13
PAT Margin (%)	5.68	6.69
Overall Gearing Ratio (x)	0.64	0.34

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Debt– Term Loan	Long Term	12.65	IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook)	--	--	--
2.	Long Term Facility – Fund Based - Cash Credit	Long Term	30.00	IVR BBB+/ Stable outlook (IVR Triple B Plus with 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.

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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Debt –Term Loan	NA	NA	March 2023	12.65	IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook)
Long Term Facility – Fund Based - Cash Credit	NA	NA	Revolving	30.00	IVR BBB+/ Stable outlook (IVR Triple B Plus with stable outlook)