



Press Release

Hindustan Enviro Life Protection Services Ltd (HELP)

May 29, 2020

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned	Rating Action
1.	Long Term Facility – Fund Based – Cash Credit	69.50 (enhanced from INR 60.00 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised
2.	Long Term Facility – Fund Based – TL	6.38	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
3.	Short Term Facility – Non Fund Based – Letter of Credit	12.00	IVR A3 (IVR A Three)	Withdrawn
	Total	75.88		

Ratings

Details of Facilities are in Annexure 1

Detailed Rationale

The rating revision reflects lower than expected achievement of revenue & profitability in FY19 & 9MFY20. The Rating continues to derive comfort from the lengthy experience of promoters in waste recycling and oil refining business, long track record and established market position in the state of Gujarat with well-established relationship with clients, consistent improvement in turnover on account of expansion of customer base and increased volumes and locational advantage while operating in a niche product segment along with y-o-y growth in memberships. However, the rating strengths are partially offset by volatile margins, geographical concentration, volatile oil prices and decline in demand of complementary goods in the near to medium term and strict regulatory compliances.



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Key Rating Sensitivities

Upward factors:

- Substantial improvement in revenue & profitability leading to sustain improvement in debt protection metrics.

Downward factors:

- Any decline in revenue & profitability leading to sustain decline in debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

Lengthy experience of promoters in waste recycling and oil refining business

The founder promoters, Mr. Ahmed Lakadia has over 15 years of experience in the waste recycling industry, along with Mr. Dipen Bankar having experience in project finance & consultancy. The promoters are well supported by a management team comprising quite a few highly qualified & experienced professionals. Mr. Mohamed Anas Patel, who has completed his post-graduation in environmental science, looks after the re-refining operations at the company's Khambhat unit.

Long track record and established market position in the state of Gujarat with well-established relationship with reputed clients

The company has a long operational record in the state of Gujarat in its decontamination segment. The company caters to various well recognised companies like Hindustan Unilever Ltd, Arvind Ltd, Sintex Industries Ltd, Grasim Industries Ltd, BASF Industries Ltd etc. as its clientele.

Consistent improvement in turnover on account of expansion of customer base and increased volumes

The company top line of the company has grown steadily over the past three years with a CAGR of around 29.54% during FY17-FY19. ; the growth has been supported by consistent growth in volumes and increase in customer base. Moving forward the company expects the margins to take a hit; largely due to the extension of the lockdown caused by the coronavirus



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outbreak due to which their revenue estimates have been lowered. As on December 12, 2019 the company has booked revenue of Rs. 117.39 crore.

Comfortable capital structure and debt protection metrics supported by sufficient liquidity

The company has minimal long-term debt and its total debt consists almost entirely of fund based working capital. The company's debt protections parameters are also comfortable, long-term debt/gross cash accruals of 0.31 in FY19. The net-worth of the company has improved to Rs. 36.45 crore in FY19 from Rs. 34.10 crore in FY18, the TOL/TNW stands at 1.44x. The company has an above unity current ratio of 1.44x supported by cash balance of Rs. 1.46 crore.

Locational advantage while operating in a niche product segment along Y-o-Y growth in memberships

Gujarat is a highly industrialized state in India with the presence of various petrochemical based industries and is prominently growing in terms of new industrial units. Although the state has many units for industrial waste management located in industrial areas. HELP operates in a niche product segment wherein it is engaged in recycling of industrial waste along with re-refining of lubricant oil which supports pricing flexibility to a certain extent. The company has seen a growth in its membership base to 159 members (10 & 8 new additions in FY19 & FY18 respectively).

Key Rating Weaknesses

Volatility in margins

The company's EBITDA margins have declined in FY19 to 4.80% in FY19 from 5.70% in FY18, the PAT margins have also fallen to 1.12% in FY19 from 2.51% in FY18, and the sensitivity is in reaction to the fluctuations in raw material prices held by the company. The margins of the company were also affected by downturns in the global economy as demand in the automobile sector has fallen, this coupled with the decrease in the industrial output.



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Geographical Concentration

The company's operations are entirely based in the state of Gujarat, leading to some geographical concentration risk for the company, although the same is mitigated to a large extent by the level of industrialization and generation of waste in the state.

Regulatory Compliances

The company has obtained approvals from Gujarat Pollution Control Board which allows them to operate their decontamination operations in Gujarat. Non-adherence of the regulations could impair future prospect in the decontamination segment.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate, with GCA of Rs. 5.68 crore as compared to their debt obligations amounting to Rs. 4.15 (including CPLTD + Interest). The company also has a current ratio of 1.44x, with a sufficient cash balance of 1.46 crore.

About the company

Hindustan Enviro Life Protection Services Ltd (HELP) was set up in 2012 by Mr Ahmed Lakadia and Mr Dipen Bankar. Initially, Mr. Ahmed Lakadia had established the company "Alka Chemi-Pack Pvt Ltd" in 2007 which was carrying on similar decontamination operation. Mr Ahmed's father, Mr Abubakar Lakadia, was also carrying on similar decontamination operations, although the same was on a small scale The company commenced operation of its decontamination unit in 2013 wherein the company has been engaged in decontamination of used containers and other packing materials like barrels, drums, containers, flexi tanks, corrugated boxes etc. generated by industries at the existing manufacturing site located at Kheda. The company has also established a plant for re-refining of used lubricant oil with an installed capacity of 120 kilo liters per day at Vadgam, near Khambhat. This unit started commercial production in November, 2017. While the re-



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refining unit was being set up, the company was also engaged in trading of oil over the last three years, wherein it imported virgin crude base oil from countries like UAE, Saudi Arabia etc and sold the same domestically to traders and blenders. In FY19, the company has almost ceased trading and its focus in the forthcoming years is on establishing an integrated waste management facility which treats recyclable as well as non-recyclable waste.

Financials (Consolidated)*:

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	171.03	210.01
EBITDA	9.75	10.07
PAT	4.29	2.35
Total Debt	35.79	46.92
Tangible Net-worth	34.10	36.45
Ratios		
EBITDA Margin (%)	5.70	4.80
PAT Margin (%)	2.51	1.12
Overall Gearing Ratio (x)	1.05	1.29

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings & Research in its press Release dated on November 02, 2018 has classified the case under Issuer Not Cooperating.

Any other information: N.A.



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (Feb 01, 2019)	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based - Cash Credit	Long Term	69.50	IVR BBB-/ Stable Outlook	--	IVR BBB/ Positive Outlook	--
2.	Long Term Facility – Fund Based – WCTL	Long Term	6.38	IVR BBB-/ Stable Outlook	--	--	--
3.	Short Term Facilities – Non Fund Based –LC	Short Term	12.00	Withdrawn	--	IVR A3+	--

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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based - Cash Credit	NA	NA	Revolving	69.50	IVR BBB-/ Stable Outlook
Long Term Facility – Fund Based – TL	NA	NA	Upto September 2020	6.38	IVR BBB-/ Stable Outlook
Short Term Facilities – Non Fund Based – Letter of Credit	NA	NA	Upto 12 months	12.00	Withdrawn