



## Press Release

### Hindustan Equipments Private Limited (HEPL)

March 24, 2021

#### Rating

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Fund Based Facility – Cash Credit/ ODTs	45.58	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	<b>Revised</b>
Long term Bank Facilities – Term Loan	25.50	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	<b>Revised</b>
Long Term /Short Term Non – Fund Based Facility – Bank Guarantee	22.10	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook)  IVR A3 (IVR A Three)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)  IVR A3 (IVR A Three)	<b>Revised</b>
<b>Total</b>	<b>93.18</b> <b>(Ninety-Three Crore and eighteen lakhs)</b>			

#### Details of Facilities are in Annexure I

#### Detailed Rationale

Hindustan Equipments Private Limited's (HEPL's) rating outlook has been revised to Negative from Stable on account of significant decline in the 9MFY2021 provisional results. The total operating income reduced to INR 53.50 crore in 9MFY21 as against INR 116.82 crore in 9MFY2020 on account of COVID-19 induced lockdown restrictions which resulted in almost



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complete shutdown of the business operations in the months of April and May 2020 and has gradually started in June 2020. Infomerics shall closely monitor the financial performance and execution of its order book position.

Further, the current rating continues to derive strength from Experienced team of directors and key executives, Moderately Diversified and Reputed clientele base – government and private, Significant growth in scale of operations and profitability and Customised Products and Services with leveraging technology to increase efficiency. However, these strengths are, partially offset by Working Capital Intensive Operations and Moderate gearing and debt coverage indicators

### **Key Rating Sensitivities**

#### **Upward rating factor(s) –**

- Significant improvement in debt coverage indicators and improvement in profitability margins could lead to a positive rating action

#### **Downward rating factor(s) –**

- Any further deterioration in the debt metrics and profitability margins may lead to a negative rating action.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced team of directors and key executives**

Hindustan Equipments Private limited is currently led by Mr. Pratik Tongia (Director) and his wife Charu Tongia (Director). Mr. Pratik Tongia has done his mechanical engineering from Shri Govindram Seksaria Institute of Technology and Science (SGSITS), Indore and has an industry experience of more than 22 years. He looks into the technical and technological aspects of the business. Mrs. Charu Tongia holds a degree in Masters of Business Administration and has an experience of more than 15 years in her field. She looks into the HR related activities of the company. Mr. Jitendra Thakur, Mr. Sanjay Karnawat and Mr.



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Pankaj Neema, amongst other team members, are the heads of marketing, production and Accounts and Taxation. All of them have above 20 years of industry experience.

### **Moderately Diversified and Reputed clientele base – government and private**

The company's top 5 clients account for ~61.54% of the total clientele base of FY20 indicating a moderately diversified clientele base. Moreover, the clients of the firm include esteemed government clients such as Banaskantha Dist. Co-op, Milk Producers Union Ltd. (Amul Subsidiary), while the private clients include reputed names such as Bharat Heavy Electricals Ltd., Kapila Krishi Udhog Ltd., P.A. Agrovet Industries Pvt. Ltd. and Total Agri Services Ahmedabad, Private Limited.

### **Significant growth in scale of operations and profitability**

The company witnessed a healthy growth in operations, growing at a CAGR of ~21.64% over the last three years. Total operating income of the company increased by ~38% from INR 113.41 crore in FY19 to INR 156.76 crore in FY20 on account of achieving greater success from bigger orders. The EBITDA Margin of the company was comfortable at 8.67% in FY20. Subsequently, the PBT and PAT Margins of the company were at 2.50% and 1.90% in FY20 respectively.

### **Customised Products and Services with leveraging technology to increase efficiency**

The company has shifted its major work to computerised numerical control (CNC) Equipment based technology. The company had purchased some machines from Germany based on CNC technology for the smooth and efficient working which would enable automated machines to handle customised production as per the requirements given by the clients and minutely track and acquire quality standards with minimum wastage. This would result in saving on manufacturing costs, increase the speed of production, increase safety, and increase efficiency of production.

### **Key Rating Weaknesses**

**Working Capital Intensive Operations**



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The average collection period for FY20 is 57 days and the inventory holding period is 65 days. This implies working capital-intensive operations where much of the company cash is locked up with the customers. The operating cycle of the company on an average is 79 days.

### **Moderate gearing and debt coverage indicators**

The company's overall gearing and Long term debt to equity ratio as on 31st March 2020 stood at 1.87x (Previous Year FY19: 1.97x) and 1.20x (Previous Year FY19: 1.39x) respectively. The Total outside liabilities to Adjusted Tangible net worth ratio as on account closing day of FY20 stood at 3.09x (Previous Year FY19: 3.36x). These ratios are expected to improve in the near future and are in line with the positive future projections of the company.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies  
Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity – Adequate**

The liquidity of the company is **Adequate**. The GCA of the company stands comfortably at INR 7.49 crore in FY20, which is reasonable enough to pay the debt obligations of the company. The interest coverage ratio stands comfortably at 1.96x as on 31<sup>st</sup> March, 2020. The fund based bank limits of the company have had an average utilisation of 86.42%. The current ratio of the company stands at 1.18x as on 31<sup>st</sup> March, 2020.

### **About the Company**

Hindustan Equipments Private Limited was incorporated in the year 1987 under the name "Nutrichem Feeds Private Limited" by Mrs. Asha Badjatiya, Mr. Vijay Badjatiya and Mr. Vini Badjatiya. Later in the year 1998, the name of the company was changed to "Hindustan Equipments Private Limited". The company is currently led by Mr. Pratik Tongia (nephew of Mr. and Mrs. Badjatiya) and his wife Charu Tongia. The company was initially engaged into manufacturing of animal feed products which later was changed to manufacturing of machineries and equipment for cattle feed and poultry feed applications & bulk grain handling



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solutions on turnkey basis and providing heat treatment services. The company is also engaged in providing job work services to engineering sector companies such as Jash engineering, Caparo, Hi-tech Metal and many more.

### Financials:

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	113.41	156.76
EBITDA	14.74	13.59
PAT	4.07	3.00
Total Debt	66.85	71.20
Tangible Net worth (Book Value)	28.22	31.22
EBIDTA Margin (%)	13.00	8.67
PAT Margin (%)	3.56	1.90
Overall Gearing Ratio (x)	1.97	1.87

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

### 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 (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (11.02.20)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit/ ODTs	Long Term	45.58	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook)	--	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	--
2.	Long term Bank Facilities – Term Loan	Long Term	25.50	IVR BBB-/ Negative Outlook (IVR Triple B Minus)	--	IVR BBB-/ Stable Outlook (IVR Triple B Minus with	--





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				with Negative Outlook)		Stable Outlook)	
3.	Long Term /Short Term Non – Fund Based Facility – Bank Guarantee	Long Term/ Short Term	22.10	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook) IVR A3 (IVR A Three)	--	IVR A3 (IVR A Three)	--

**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](http://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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	--	-	On Demand	45.58	IVR BBB-/ Negative Outlook
Term Loan	-	-	Ranging from September 2020 to September 2026	25.50	IVR BBB-/ Negative Outlook
Bank Guarantee	--	--	Upto 36 months	22.10	IVR BBB-/ Negative Outlook IVR A3