Press Release

Hi Bond Cement India Private Limited

June11, 2021

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	RatingAction
Long Term Facility – Fund Based – Cash Credit	30.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed
Long Term– Non-Fund Based – Bank Guarantee	2.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed
Long Term Facility – Fund Based – Term Loan	(12.65)	Withdrawn	Withdrawn*
Proposed Long Term Facility – Fund Based – Cash Credit	12.65	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned
Total	**44.65**		

*Rating has been withdrawn as the debt has been repaid in full.

Details of Facilities are in Annexure 1

Detailed Rationale:

The affirmation of the ratings assigned to the bank facilities of Hi Bond Cement India Private Limited continue to derive strength from its experienced promoters & management team, established Diversified client base and strong distribution network, continuous improvement in the Revenue along with healthy EBITDA margin and comfortable capital structure & debt protection metrics. However, the rating strengths are partially offset byinput costs related risk, intensely competitive industry and cyclicality of the cement industry.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

Downward Factors

- Any decline in the scale of operation and profitability leading to deterioration of debt protection metrics.

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.

Established Diversified client base and strong distribution network:

With promoters' extensive experience, established network with the distributors, the company has been able to gather a diversified client base. The top ten customers of the company only account for ~7.81% of the sales indicating a diversified client base. Company has around 450 + dealers in the state of Gujarat.

Continuous improvement in the Revenue along with healthy EBITDA margin:

The Total Operating Income of the company grew to INR 455.73 Crore in FY21 at CAGR of 10.94% in the last four years ended FY21. This was supported by increased in by overall sales volume majorly by 53 Grade OPC Cement 11% y-o-y to 1.01 million tonnes from 0.92 million tonnes in FY20. EBITDA Margin remained healthy at 13.14% inf FY21, however it had declined from 18.77% in FY20.

Comfortable capital structure & debt protection metrics:

Company's capital structure remained comfortable as on the past three account closing dates ending FY21. The financial risk profile of the company is comfortable marked by its net worth and debt protection metrics. The company does not have any long-term debt obligation. The adjusted net worth of group stood at INR 164.34 Crore as on 31 March 2021 (FY 20: INR 122.34Crore). Debt protection metrics also remained comfortable with interest coverage ratio of 51.19x in FY21 (33.68x). TOL/ATNW stood at 0.65 times as on 31 March 2021 (0.77x).

Total debt/GCA, interest coverage & other debt protection metrics expected to remain comfortable moving forward.

Key Rating Weaknesses:

Input costs related risk:

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 pet coke 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 companiescompete intensely to gain market share.

Cyclicality of the cement industry:

Cement industry is highly cyclical in nature and depends largely on the economic growth of the country. Due to this cyclicality, the company remains exposed to risks associated with the same. India is the second largest cement market in the world with installed capacity of ~545 MMTPA as of FY20. During FY20, cement production fell by 0.8% as compared with the robust 13.3% growth achieved during FY19. During FY20, weakness in housing demand, prolonged rains in many parts of the country and decline in demand from the infrastructure segment had a negative bearing on the production of cement in the domestic markets. Further with the outbreak of the Covid-19 pandemic in the Indian sub-continent which forced the government to announce a nation-wide lockdown, 25th March 2020 onwards also affected the domestic cement production during FY20 and during current year. The macros of the cement industry seem strong in the long term even though now it is riddled with the COVID-19 pandemic and issues associated with it. The industry could benefit with the pent-up demand phenomena as the economy has been on an unlock mode but on the flipside as the second wave of the contagion is hitting the economy, this could be a detriment to the entire demand-supply of the industry.

Analytical Approach: Standalone

Applicable Criteria:

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

Liquidity–Strong

The company has strong liquidity marked by strong net cash accruals to its maturing debt obligations. Also, the firm do not have any major long-term repayment obligations and major capex plans. Further, the company had cash accruals of around Rs. 51.85 Cr and the average cash credit utilisation was around 14.83% during the last twelve months ended March 2021. The current ratio for FY21 is 2.78 times.

About the Company:

Hi Bond Cement India Private Limited 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 1.92 million ton per annum. The Company also has a captive power plant installed with 12MW waste heat recovery boiler (WHRB) captive thermal power plant at its premises.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	416.09	455.73
EBITDA	78.11	59.87
PAT	52.09	40.75
Total Debt	17.86	0.00
Tangible Net-worth	122.34	163.34
Ratios		
EBITDA Margin (%)	18.77	13.14
PAT Margin (%)	12.46	8.90
Overall Gearing Ratio (x)	0.15	0.00

Status of non-cooperation with previous CRA:Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (02/Jul/ 2020)	Date(s) & Rating(s) assigned in 2019-20 (26/Mar/ 2020)	Date(s) & Rating(s) assigned in 2018-19

1.	Long Term Facility – Fund Based – Cash Credit	Long Term	30.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	--
2.	Long Term– Non-Fund Based – Bank Guarantee	Long Term	2.00	IVR BBB+/ Stable	IVR BBB+/ Stable	--	--
3	Long Term Facility – Fund Based – Term Loan	Long Term	12.65	Withdrawn	IVR BBB+/ Stable	IVR BBB+/ Stable	--
4	Proposed Long Term Facility – Fund Based – Cash Credit	Long Term	12.65	IVR BBB+/ Stable	--	--	--

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 Team:

Name: Rushabh Shah
Tel.:(022) 62396023
Email: rpshah@infomerics.com

Mr. Amit Bhuwania
Tel.:(022) 62396023
Email: abhuwania@infomerics.com

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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	--	--	--	30.00	IVR BBB+/ Stable
Long Term– Non-Fund Based – Bank Guarantee	--	--	--	2.00	IVR BBB+/ Stable
Proposed Long Term Facility – Fund Based – Cash Credit	--	--	--	12.65	IVR BBB+/ Stable

Annexure 2: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Lenders-11-06-21-HBCIPL.pdf