



Press Release

Heavy Metal and Tubes (India) Private Limited (HMTIPL)

March 17, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	60.76 (Enhanced from 35.26)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	40.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Long Term Bank Facilities – Line of Credit	10.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed	Simple
Short Term Bank Facilities – Bank Guarantee	5.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Rating reaffirmed	Simple
Total	115.76 (Rupees One Hundred Fifteen crore and Seventy Six lakh only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed its rating assigned to the bank facilities of HMTIPL as HMTIPL continues to derive strength from increasing scale of operations with stable margins, comfortable capital structure, established clientele generating consistent orders and benefits of capex plan. The ratings are however constrained by working capital intensive operations and volatility in steel prices which may potentially impact margins.



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The outlook is expected to remain stable through extensive support of promoters along with expected improvement in revenue and EBITDA margins through execution of orders and successful completion of capex.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the company's revenue and / or profitability while maintaining the debt protection parameters.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Increasing scale of operations with stable margins

HMTIPL's revenue has improved by 10.20% to Rs. 255.72 crore in FY2024 (Refers to period from April 1st, 2023 to March 31st 2024) from Rs. 232.04 crore in FY23 due to high demand of carbon steel pipes during FY2024 from PSU's. Further, HMTIPL has achieved revenue of Rs. 243.00 crore in 9MFY25 and is expected to achieve revenue of ~Rs. 330 crore for FY25 through 30%-40% execution of orders out of total orderbook amounting Rs. 317.00 crore. However, EBITDA margin has remained stable and in the range of approximately 112% in FY23-FY24 due to slight increase in operating costs.

Comfortable capital structure

Though overall gearing and TOL/TONW has slightly increased to 1.44x and 2.61x respectively in FY24 from 1.23x and 2.46x respectively in FY23 due to addition of new term loans and working capital borrowings, HMTIPL's capital structure continued to remain comfortable. Further, HMTIPL's interest coverage has remained at similar level at 1.74x in FY24 from 1.78x in FY23. However, Total debt/ NCA ratio has increased to 9.05x in FY24 from 7.78x in FY23 due to increase in term loans and working capital borrowings.



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Established clientele generating consistent orders

As of January 2025, the outstanding order book stands at Rs. 317 crore, indicating near to medium-term revenue visibility with repeated orders from longstanding clients within the oil & gas, power, and infrastructure sectors. The company regularly secures orders from prominent public listed entities such as Bharat Petroleum, Indian Oil, Bharat Heavy Electronics Ltd, and NTPC Limited.

Benefits of Capex plan

HMTIPL is incurring capex of Rs. 40.96 crore for installation of solar panel of 950 KWH and 1250 KWH and installation of machinery to increase the capacity for niche-sized tubes, including Alloy Steel Tubing and Carbon Steel Piping, catering to high-demand segments made available for PSUs and Private clients for the EPC sectors.

HMTIPL has already completed capex of Rs. 10.81 crore in FY24 through term loan amounting Rs. 6.75 crore and remaining through internal accruals. The capex will be funded through term loan sanction of Rs. 25.50 crore from Aditya Birla Finance Limited (Rs. 15.00 crore already disbursed) and remaining funding through internal accruals and unsecured loans from promoters has been done. The project is expected to be completed by the end of March 2025.

Key Rating Weaknesses

Working capital intensive operations

HMTIPL's operating cycle remains high with operating cycle of 115 days in FY24 (FY23: 101 days) primarily on account of high inventory holding period of 186 days, driven by stringent quality checks conducted by PSU companies for a period of 10 -15 days. Additionally, funds are deployed for supplier advances, and a certain level of stores and spares is maintained on account of limited availability of specialized material required for production, ensuring uninterrupted production.

Volatility in steel prices

Steel prices are subject to substantial volatility, driven by global market dynamics, fluctuations in raw material costs, and economic factors which may result in company facing uncertainties in production costs, impacting overall profitability, thereby resulting in deterioration of



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protection metrics. The need for adaptive strategies and risk management becomes crucial for the company to navigate the complexities of the steel market and maintain stability amid the ever-changing pricing landscape.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match adequately with debt repayment obligations. The average working capital utilization for 12 months ending December, 2024 has been 73.77%. The current ratio and quick ratio stood at 1.15x and 0.33x respectively in FY24.

About the Company

Heavy Metal & Tubes (India) Private Limited is a company engaged in the production of stainless steel, carbon steel, and alloy steel tubes and pipes within India with three manufacturing facilities which are strategically situated in the state of Gujarat in western India. The company has been actively serving diverse industries and applications, both domestically and in the export market.



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Financials (Standalone):

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	232.04	255.72
EBITDA	27.69	30.38
PAT	3.11	3.80
Total Debt	99.82	120.98
Adjusted Tangible Net Worth^	81.02	83.85
EBITDA Margin (%)	11.93	11.88
PAT Margin (%)	1.33	1.48
Overall Gearing Ratio (x)	1.23	1.44
Interest Coverage (x)	1.78	1.74

*Classification as per Infomerics' standards

^Redeemable Preference shares which was treated as part of Equity during previous review cycle has now been treated as part of Debt of the company.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (February 28, 2025)	Date(s) & Rating(s) assigned in 2023-24 (December 11, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	60.76	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
2.	Cash Credit	Long Term	40.00*	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
3.	Line of Credit	Long Term	10.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--	--
4.	Bank Guarantee	Short Term	5.00	IVR A3	IVR A3	--	--	--

*Sub-limit of Export Packing Credit (EPC)/ Pre-shipment Credit in Foreign Currency (PCFC): Rs. 10.00 crore, Sub-limit of Foreign Bills Purchased/ Discounted (FBP/FBD)/ EBRD/ PSCFC/ PSC/ PSFC: Rs. 10.00 crore, Sub-limit of Bank Guarantee: Rs. 7.00 crore and Sub-limit of Letter of Credit: Rs. 7.00 crore.



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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	May, 2027	14.73	IVR BBB-/ Stable
Term Loan	--	--	July, 2029	6.22	IVR BBB-/ Stable
Term Loan	--	--	January, 2034	14.31	IVR BBB-/ Stable
Term Loan	--	--	March 15, 2035	25.50	IVR BBB-/ Stable
Cash Credit	--	--	--	40.00*	IVR BBB-/ Stable
Line of Credit	--	--	--	10.00	IVR BBB-/ Stable
Bank Guarantee	--	--	--	5.00	IVR A3

*Sub-limit of Export Packing Credit (EPC)/ Pre-shipment Credit in Foreign Currency (PCFC): Rs. 10.00 crore, Sub-limit of Foreign Bills Purchased/ Discounted (FBP/FBD)/ EBRD/ PSCFC/ PSC/ PSFC: Rs. 10.00 crore, Sub-limit of Bank Guarantee: Rs. 7.00 crore and Sub-limit of Letter of Credit: Rs. 7.00 crore.

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-HMTIPL-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.