Press Release

Hi Bond Cement India Private Limited

December 08, 2023

Ratings

Facilities	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Facility – Fund Based – Term Loan	123.81 (reduced from 150.00)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Facility – Fund Based – Cash Credit	70.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term– Non-Fund Based – Bank Guarantee	20.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Total	**213.81**			

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. Rating also factors stable revenue registered in FY23, albeit improvement in 7MFY24, comfortable capital structure & debt protection metrics of the company along with future efficiency with availability of captive power plant. However, the rating strengths are partially offset by input costs related risk, intensely competitive industry and cyclicality of the cement industry. The rating also takes cognizance of the losses incurred in FY23 and reasons thereof, albeit recovery visible from 7MFY24 performance.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in the revenue and profitability while maintaining the debt protection parameters.

Downward Factors:

- Significant drop in realisations and operating margin leading to modest profitability and net cash accrual
- Additional investments or loans extended to group companies or promoters from company’s cash flows
- Any unplanned debt-funded capex of sizeable amount

List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters & management team:

The company is continue to 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 two decades 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 less than 15% of the total sales indicating a diversified client base. Company has around 450+ dealers in the state of Gujarat.

Stable revenue in FY23, albeit improvement in 7MFY24

The company's total operating income remained at Rs.581.64 crore in FY23, i.e. in lines with the total sales of Rs.595.60 crore registered in FY22. This was because of the increased focus in the installation and operations of the solar power plant alongside. Besides, the company declined a few orders due to low profitability. This also led to a decrease in the sales quantum by around 12%. However, the scale of operation and the total operating income of the company increased by ~19% in 7MFY24 on account of the boost in the infrastructure segment, leading to sales of Rs.370.65 crore as compared to sales of Rs.311.66 crore reported in 7MFY23.

Comfortable capital structure & debt protection metrics

The company reported marginal deterioration in its capital structure on y-o-y basis as on March 31, 2023 predominantly due to net loss reported in FY23. Still the capital structure of the company continued to remain comfortable as indicated by the overall gearing ratio and long term debt to equity of 1.32x and 0.74x as on March 31, 2023.

The debt protection metrics also continued to remain comfortable during FY23 as indicated by the total debt to GCA ratio, total debt to EBITDA ratio and interest coverage ratio of 19.15x, 18.93x and 2.42x respectively.

Operational efficiency with availability of captive power plant

Company has recently completed capex expansion with a total cost of Rs.219.21 crore, with a debt-to-equity ratio of 2.17x for the project. The project has been completed and has been operational since January 2023. This installation of the power plant is envisaged to contribute savings of around Rs.30-40 crore per annum with the reduction in the dependency on coal from FY24 onwards for power generation.

Key Rating Weaknesses:

Losses incurred in FY23, albeit recovery visible from 7MFY24 figures

Due to the increase in the overall fuel prices, especially coal, the power and fuel cost witnessed sharp increase by 4.5 folds. This led to a decline in the profits incurred and the company reported losses as indicated by PAT margin of -0.87%. The impact of these losses has however been normalized in 7MFY24, with the solar power and wind power plants being up and running, the company has started registering profits. The solar power plant is expected to aid increase the profitability by around Rs.30-40 crore per annum from FY24 onwards. The achievement of these profits for the upcoming period will remain a key rating monitorable.

Input costs related risk

Increase in the prices of limestone, coal, diesel and packaging material impacts the profitability of cement players. Realizations and profitability are also affected by demand, supply, offtake and regional factors.

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.

Cyclicality of the cement industry

Due to the long gestation period for setting up a facility, capacity addition in the cement industry tends to be sporadic and various players take capacity additions during the peak of a cycle. This leads to unfavorable price cycles for the sector. The company remains exposed to the demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity additions by the players during such periods. The cyclical/seasonal nature of the cement industry creates uncertainty over demand and cash cycles for companies. This may impact the company's capacity utilisation, revenues, and profit margins. Resulting volatility in cash flow could pose challenges, especially during periods of weak demand.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of rating outlook

Liquidity – Strong

The company has adequate liquidity marked by moderate net cash accruals and unutilized sanctioned CC limits as against its maturing debt obligations for the year FY24-FY26. The company reported cash accruals of around Rs.13.35 Cr during FY23, furthermore the company has unutilized fund-based CC limits of around Rs.70 crore to meet its day-to-day expenses. The working capital cycle remained healthy at around 60 days for the last two years ended on March 31, 2023. This was because of the stable collection cycle of around 25-30 days, inventory cycle of 55-65 days and creditor payment period of 20-30 days. The current ratio and quick ratio of the company also remained comfortable at above unity as on March 31, 2023.

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, based in Rajkot Gujarat. The company has also installed wind power plant and solar power plant to aid its profitability and reduce its expenses.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	593.09	577.89
EBITDA	59.60	13.50
PAT	36.78	-5.06
Total Debt	155.36	255.59
Tangible Net-worth	200.39	193.97
Ratios		
EBITDA Margin (%)	10.05	2.34
PAT Margin (%)	6.18	-0.87
Overall Gearing Ratio (x)	0.78	1.32

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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (09/Sept/2023)	Date(s) & Rating(s) assigned in 2021-22 (11/June/2021)	Date(s) & Rating(s) assigned in 2020-21 (02/Jul/2020)
1	Long Term Facility– Fund Based – Term Loan	Long Term	123.81	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2	Long Term Facility – Fund Based – Cash Credit	Long Term	70.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable
3	Long Term– Non-Fund Based – Bank Guarantee	Long Term	20.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable

Name and Contact Details of the Rating Analyst:

Name: Jalaj Srivastava
Tel: (079) 40393043
Email: jalaj.srivastava.infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com.

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 2029	123.81	IVR BBB+/ Stable
Cash Credit	-	-	-	70.00	IVR BBB+/ Stable
Bank Guarantee	-	-	-	20.00	IVR BBB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-HiBond-dec23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument / facilities: 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.