



Press Release

Hi-Tech Pipes Limited (HPL)

July 07, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	225.00 (Increased from 224.00)	IVR A/ Stable Outlook (IVR Single A with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Term Loan	15.10 (Reduced from 26.79)	IVR A/ Stable Outlook (IVR Single A with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – GECL	14.58	IVR A/ Stable Outlook (IVR Single A with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities	9.32	IVR A/ Stable Outlook (IVR Single A with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	101.00 (Increased from 32.00)	IVR A1 (IVR A One)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit	60.00 (Reduced from 80.00)	IVR A1 (IVR A One)	Reaffirmed	Simple
Proposed Commercial Paper	- (Previously 10.00)	-	Withdrawn*	Simple
Total		425.00 (INR Four Hundred and Twenty-Five Crore Only)		

*The limit has been withdrawn.

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment/reaffirmation of ratings to aforesaid bank loan facilities of Hi-Tech Pipes Limited takes into account HPL's established position in steel tube manufacturing business, diversified product portfolio with additional value-added



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product in FY23, reputed suppliers with annual raw material supply contracts, Large scale of operation & comfortable debt protection parameters and Capital Structure and moderate Profitability. The rating however is constrained by HPL's value addition with price based competitive market landscape and exposed to volatility in raw material prices. The rating for the proposed commercial paper is withdrawn at the request of the company, since they were not utilised/raised.

Key Rating Sensitivities:

Upward Factors

Significant & sustained improvement in revenue & profitability, leading to an improvement debt protection parameters along with improvement in Gross Working Capital cycle.

Downward Factors

Any decline in revenue and/or profitability arising out of company/sector specific reasons leading to deterioration of debt protection parameters and/or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established position in Steel Tube Manufacturing Business:

HPL has been involved in the business of steel tube manufacturing for more than three decades. They have a strong operating base with a total installed capacity of 5.75 lakhs metric ton per annum spread across 5 production facilities across the country in the states of Uttar Pradesh, Gujarat, Maharashtra & South state (Andhra Pradesh). Also, HPL's supply chain includes 4 depots, 3 offices and around 390 geographically diversified dealers and distributors. The entity's strong brand and wide geographical network helps the company to serve many customers. Also, the promoter's long



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experience helps the Company to strengthen its business profile. Besides, the Company is listed on the Bombay Stock Exchange & National Stock Exchange, giving them access to capital markets.

Diversified Product Portfolio with additional value-added product in FY23:

The Company has wide variety of product portfolio like ERW Black Steel tubes, Rectangular hollow section, Galvanised Steel tubes, Metal Beam Crash Barriers, Cold Rolled Coils, and specific applications based cold form sections. These pipes can be used in wide variety of applications. Hi-Tech Pipes Limited has recently expanded its business into the roofing segment, recognizing the complementary nature of roofing products with tubes and pipes. This move was initiated in January of the current year. Additionally, the company has recently initiated color-coded initiatives. With these developments, the company has expanded its operations into three verticals: tubular products, flat steel products, and color-coded products. And as the raw materials and factory facilities for these products are same, the Company derives large economies of scale from this. Also, diversified product portfolio helps in de-risking the Company from any downturn in individual industries.

Reputed Suppliers with annual Raw Material supply contracts:

HPL has annual raw material supply contracts with reputed suppliers like Steel Authority of India Limited and ArcelorMittal Nippon Steel India Limited. Annual raw material supply contracts ensure steady supply of raw material to meet customer demands with a certain degree of price stability in input prices. Also, supplies from renowned players ensures better control over the quality of the finished goods and renders competitive advantage over the unorganised and smaller players.



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Large scale of operation & Comfortable debt protection parameters and Capital Structure.

HPL has large scale of operations as evinced by installed capacity of 5.75 lakhs MTPA with manufacturing facilities spread across Uttar Pradesh, Gujarat, Maharashtra, and Andhra Pradesh. Large scale of operations helps the Company to exploit economies of scale and cater to customer needs on time. The total operating income of the company registered a growth of ~27.00% in FY23. The increase was mainly due to increase in sales realisation in FY23. The overall operating income in FY23 stood at INR. 2385.85 Crore as compared to INR.1878.85 Crore in FY22. Overall, the company has established a good presence in the regions it operates, given the promoters' strong relationships established with the distribution network over the years. Hi-Tech Pipes Limited capital structure remained comfortable as on March 31, 2023, marked by overall gearing at 0.66x as on March 31, 2023 against 1.52x as on March 31, 2022. The total indebtedness of the company as reflected by TOL/ANW reduced from 1.67x as on March 31, 2022, to 1.15x as on March 31, 2023. The interest coverage ratio and DSCR have been comfortable over the last three years and stood at 2.92x and 1.50x respectively in FY23.

Moderate Profitability

The Company has earned EBIDTA of INR 103.21 Crore in FY23 against INR 100.52 Crore in FY22, with a static number in absolute value of EBITDA, the company has earned EBITDA of 4.33% in FY23. The company registered its PAT margin at 1.58% with the value of INR 37.68 crore in FY23 compared to 2.15% with the value of INR 40.33 crore in FY22. Although the profitability has remained stable compared to the previous year, however it was impacted by loss from Exceptional items.



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Key Rating Weaknesses

HPL's Value Addition with price based competitive market landscape:

The EBITDA margins of the Company are range bound between 5 to 6 per cent. The steel-tube industry is characterised by the presence of many unorganised players in addition to a few large companies. Also, the raw material cost accounts for about ~ 90% of the Company's turnover reflecting a highly raw-material intensive nature of operations and limited value addition. This will limit the Company's operating profit margin. Also, the Company has to depend on high volumes to generate the sufficient cash flows.

Exposure to volatility in raw material prices:

Hot rolled coil (HRC) is the key raw material used for producing MS black pipe. Zinc is required in small quantity for the galvanisation process to convert MS black pipe into galvanised iron (GI) pipe. The firm remains exposed to significant volatility in prices of key raw materials like HRC and zinc as adequate raw material inventory needs to be maintained.

Analytical Approach: Consolidated

Infomerics has combined the financial risk profiles of Hi-Tech Pipes Limited, HTL Metal Private Limited, HITECH Metalex Private Limited and HTL ISPAT Private Limited, as these entities are running under a common management, dealing in similar product line and having strong operational & financial linkages between themselves. Additionally, HTL Metal Private Limited, HITECH Metalex Private Limited and HTL ISPAT Private Limited are 100% subsidiaries of Hi-Tech Pipes Limited as on March 31, 2023.



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Consolidation of companies](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The company is earning comfortable levels of GCA and the same is expected to increase with increased income levels and profitability. This indicates adequate degree of liquidity of the company in meeting its obligations. Company has current ratio of 1.46x as on 31 March 2023 which has improved with stable profitability. Additionally, the company has cash and cash equivalents of INR 21.17 Crore as on 31 March 2023. The working capital utilisation of the company remains moderate for the past 12 months period ended April 2023. As indicated by management, the Company has no plans of availing any new long-term debt over the medium term.

About the Company

Hi-Tech Pipes Limited is an ISO 9001 certified company, listed on Bombay Stock Exchange and National Stock Exchange. It is engaged in production steel pipes, hollow sections, tubes, cold rolled coils, road crash barriers, solar mounting structures and strips and a variety of other galvanized products. The registered office of the Company is at Pitampura, New Delhi. The main products & their applications of the Company include Black Steel Tubes, Rectangular Hollow Sections, Galvanised Steel Tubes, Metal Beam Crash Barriers, and Cold Roll Coils. The main applications of the Company's products are Irrigation & Plumbing, Water Infrastructure Systems, Oil, Gas and Sewage Transportation, and other various engineering applications.



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Financials: Consolidated

(Rs. Crore)

For the year ended*/ As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1878.85	2385.85
EBITDA	100.52	103.21
PAT	40.33	37.68
Total Debt	393.27	274.39
Tangible Net worth	258.60	417.54
EBITDA Margin (%)	5.35	4.33
PAT Margin (%)	2.15	1.58
Overall Gearing Ratio (x)	1.52	0.66

*Classification as per Infomerics standards

Financials: Standalone (HPL)

(Rs. Crore)

For the year ended*/ As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1511.89	1860.55
EBITDA	78.30	78.89
PAT	29.87	28.90
Total Debt	259.12	180.87
Tangible Net worth	216.66	366.84
EBITDA Margin (%)	5.18	4.24
PAT Margin (%)	1.97	1.55
Overall Gearing Ratio (x)	1.20	0.49

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None



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Any other information:

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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 16, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	225.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--	--	--
2.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	15.10	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--	--	--
3.	Long Term Fund Based Bank Facilities – GECL	Long Term	14.58	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--			
4.	Proposed Long Term Fund Based Bank Facilities	Long Term	9.32	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--			
5.	Short Term Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	101.00	IVR A1 (IVR A One)	IVR A1 (IVR A One)	--	--	--
6.	Short Term Non-Fund Based Bank Facilities – Letter of Credit	Short Term	60.00	IVR A1 (IVR A One)	IVR A1 (IVR A One)	--	--	--
7.	Proposed Commercial Paper	Short Term	10.00	Not Applicable*	IVR A1 (IVR A One)	--	--	--

*As Rating Stands Withdrawn



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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 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
Long Term Fund Based Bank Facilities – Cash Credit	-	-	Revolving	225.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Long Term Fund Based Bank Facilities – Term Loan	-	-	Upto June 28	15.10	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Long Term Fund Based Bank Facilities – GECL	-	-	Upto June 28	14.58	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Proposed Long Term Based Bank Facilities	-	-	-	9.32	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	-	-	Revolving	101.00	IVR A1 (IVR A One)
Short Term Non-Fund Based Bank Facilities – Letter of Credit	-	-	Revolving	60.00	IVR A1 (IVR A One)

Annexure 2: List of companies considered for consolidated analysis:

Sl.No.	Company Name	% of Holding
1	HTL Metal Pvt. Ltd.	100%
2	HITECH Metalex Pvt. Ltd	100%
3	HTL ISPAT Pvt. Ltd.	100%

Annexure 3: Facility wise lender details: len-HiTech-jul23.pdf (infomerics.com)

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.