



Press Release

Him Teknoforge Ltd

June 28th, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term Loan	64.41	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Long term Bank Facilities – Cash Credit	93.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – LC/BG/Forward Cover	22.00	IVR A2 (IVR Single A Two)	Assigned	Simple
Total	179.41 (One Hundred & Seventy Nine Crore and Forty One Lakhs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Him Teknoforge Limited (HTL) draws comfort from its experienced and resourceful promoters, healthy growth in its scale of operations in FY22 on the back of traction in demand from end-user industries in domestic as well as exports market along with improvement in its leveraged capital structure and moderate debt coverage indicators. The ratings continue to remain constrained on account of HTL, high customer concentration risk, susceptibility of profitability to volatile raw material prices as well as foreign exchange fluctuation risk and its presence in a highly competitive industry with demand linked to cyclical end user industries (including automobile, engineering and capital goods and heavy machinery).

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations on a sustained basis
- Improvement in the debt metrics on a sustained basis improving the liquidity position



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Downward Factors

- Significant stretch in working capital cycle impacting the liquidity profile and increasing dependency on external borrowings.
- Deterioration of debt protection metrics
- Any adverse decision by the honorable high court in the matter of shareholding of promoter (With respect to pledge of shares).

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the auto component industry and longstanding relationships with customers

HTL was established in 1981 by Mr Vijay Aggarwal, having an experience of more than 4 decades in the auto component industry. The extensive experience of the management has helped the company to establish a strong relationship with its customer such as Mahindra & Mahindra, Ashok Leyland, Bharat Gears Limited, Brakes India Private Limited etc and to agricultural equipment & tractor manufacturers such as Ve Commercial Vehicles Limited, Sonalika Industries. The company has clientele spread across the world with reputed clientele albeit customer concentration

Stable Operating Income:

The total operating income of the company registered a y-o-y growth of ~48.12% from Rs 238.89 crore in FY21 to Rs 351.64 crore in FY22 driven by increase in increase in order from OEMs driven by recovery in demand in automobile sector. The company has an order book of appx. Rs 30 crore per month to be completed by indicating medium term revenue visibility.

Healthy Financial risk profile:

Financial risk profile stood healthy marked by healthy net worth of Rs 155.19 crore along with comfortable long-term debt and overall gearing ratio at 0.35x, 0.94x as on March 31,2022. The total debt comprises of secured loan of Rs 43.18 crore along with repayment of Rs 10.72 crore



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and working capital limits of Rs 91.70 crore. Also the debt protection metrics is above average with interest coverage ratio & DSCR at 1.98x & 1.08x and Total Debt/GCA of 7.57 years as on March 31,2022. The financial risk profile of the company are expected to remain above average over the medium term with a rise in cash accruals.

Key Rating Weaknesses

Elongated Operating cycle:

The operations of the company stood elongated marked by operating cycle of 176 days with average creditors period of 42 days & average collection period of 55 days for FY22. The elongation in operating cycle is on account of increase in inventory holding period owing to lower production by vehicle manufacturers and lockdown in the country due to COVID-19 impact. The company is required to maintain adequate inventory at each processing stage for smooth running of its production processes and to ensure prompt delivery to its customers resulting in an average inventory holding period of around 163 days with inventory of Rs ~146.76 crore as on March 31,2022. The working capital borrowings of the company remained ~95% utilized during the past 12 months ending Feb, 2022.

Dispute between the IFCI Venture Capital Fund and promoters over invocation of pledged shares :

The Company- Him Teknoforge Ltd.- Unlisted (before merger with Gujarat Automotive Gears Ltd.) has raised private equity funds from IFCI Venture Capital Fund in May, 2011. The Promoters of the Company pledged their shares of 14.38 lakhs with IFCI-V in pursuance of the Investment Agreement. As per the agreement the shares of the company are to be listed in stock exchange and to comply this condition, the company acquired a listed company Gujarat Automotive Gears Ltd (listed in BSE) on Sept., 2013. The merger process and listing of new shares (allotted to the shareholders of HTL) was completed in March 2018 and thus the company/promoters fulfilled the obligation on its parts for getting the shares listed and in Feb 2019, IFCI-Venture initiated the process for invocation of pledged shares of the promoters. The



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promoters have filed petition before the Hon'ble High Court of Punjab & Haryana for restraining the IFCI-V for invocation of pledge and release of pledged shares. The Hon'ble High court admitted the petition of the Promoters and has granted interim stay on sale of shares. The matter is currently before the court as the hearings have been delayed due to the COVID situation. An adverse outcome of the case may result in reduction of promoter and promoters group shareholding, exposing the company to some level of management risk.

Exposure to cyclicity in the auto industry: The auto industry accounts for the entire revenue of the company. The performance of the auto industry is linked to overall macroeconomic scenario. The demand for automobiles has a significant impact on the demand and prices of the products manufactured by the company. A fall in the demand and/or prices would adversely impact the financial performance of the company. The company is susceptible to cyclicity in the auto industry.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodologies for Manufacturing Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)

Liquidity – Adequate

The liquidity position of the company is marked by its adequate with a GCA of Rs 19.22 crore as against CPLTD of 16.57 crores as on March 31, 2022. The GCA is expected to be in a arrange of Rs 22.15-27.32 crore against the repayment of Rs 11.14 to 2.98 crore in FY23-25. The company has good current ratio of 1.33x and quick ratio of 0.41x. Further, the company has limited liquidity buffer as indicated by highly utilised bank limits at~95.00% in the past 12 months ended on Feb, 2022.

About the Company

Him Teknoforge Limited was established in 1981 by Mr. Vijay Aggarwal at Baddi. The company is engaged in manufacturing of alloy steel forgings, finished gears & axles, shafts, assemblies and non-assemblies for the automotive industry, mainly the commercial auto



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manufacturers. It has six manufacturing units in the following locations: Baddi (two) and Manpura (one) in Himachal Pradesh , Gujarat (one) and Pithampur (two) in Madhya Pradesh. The Company amalgamated with– Gujarat Automotive Gears Limited (BSE listed company) which was approved by NCLT via order dtd. 09.01.2018.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	238.89	351.64
EBITDA	30.01	31.89
PAT	5.14	8.83
Total Debt	149.84	145.59
Tangible Net worth*	143.82	155.19
EBITDA Margin (%)	12.56	9.07
PAT Margin (%)	2.13	2.47
Overall Gearing Ratio (x)	1.04	0.94

*as per Infomerics standards

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

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	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.	Term Loan	Long Term	64.41	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	93.00	IVR BBB+/Stable (IVR Triple B Plus with			



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Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
				Stable Outlook)			
3.	Letter of Credit	Short Term	16.50	IVR A2 (IVR Single A Two)	-	-	-
4.	Bank Guarantee	Short Term	3.50	IVR A2 (IVR Single A Two)			
5.	Forward Cover	Short Term	2.00	IVR A2 (IVR Single A Two)			

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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.

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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 Bank Facilities – Term Loan	-	-	-	64.41	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Long term Bank Facilities – Cash Credit				93.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Short Term Bank Facilities – Letter of Credit				16.50	IVR A2 (IVR Single A Two)
Short Term Bank Facilities – Bank Guarantee				3.50	IVR A2 (IVR Single A Two)
Short Term Bank Facilities – Forward Contract				2.00	IVR A2 (IVR Single A Two)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Him-Teknoforge-june22.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