



Press Release

Hindustan Rasayan Private Limited

May 03, 2024

Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	9.44	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Simple
2.	Long Term/Short Term Bank Facilities	14.25	IVR BB/Stable/IVR A4 (IVR Double B with Stable Outlook and IVR A Four)	Assigned	Simple
	Total	23.69	(Twenty-Three Crore and Sixty-Nine Lakh Only)		

Details of facilities are in Annexure 1

Rating Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has assigned the long-term rating of IVR BB with a Stable outlook and short-term rating of IVR A4 for the bank facilities of Hindustan Rasayan Private Limited.

The assigned rating takes into consideration the long experience of the promoter with increase in scale of operations and moderate profitability. However, these strengths are partially offset by moderate capital structure along with weak debt protection metrics. The ratings are further constrained by, weak debt coverage metrics and seasonality associated with business operations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the standalone audited financial results of Hindustan Rasayan Pvt Ltd upto 31 March 2023, and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities

Upward Factors



Press Release

- ✓ Substantial improvement in revenue while maintaining the current profitability while maintaining the current credit profile.

Downward Factors

- ✓ Any decline in revenue and profitability resulting in deterioration in overall credit profile.

Detailed Description of Key Rating Drivers

A. Key Rating Strengths

Experienced Promoters

Hindustan Rasayan Private Limited is promoted by Mr. Vinay Pal Jain, Mr. Sanjay Pal Jain, Ankit Jain and Mr. Vasu Jain. The promoter has a long experience in the industry which has helped the company to establish strong relationships with customers and suppliers thereby, withstanding industry cycles ensured the continuous growth.

Increase in Scale of Operations and Moderate profitability.

The company's Total Operating Income grew significantly by 189.43% to Rs. 99.43 crore in FY23 as against Rs. 34.37 crore in FY22 on account of increase in sales volume. The EBITDA improved to Rs. 3.12 Crore in FY23 as against Rs. 2.81 Crore in FY22. The EBITDA margin of the company moderated significantly by 504 bps from 8.18% in FY22 to 3.14% FY23 on account of increase in raw material consumption cost. The PAT of the company also improved from Rs. 0.33 Crore in FY22 to Rs. 0.93 Crore in FY23. The PAT margin moderated by 3 bps from 0.96% in FY22 to 0.93% in FY23. The GCA improved to Rs.1.66 Crore in FY23 from Rs.1.00 Crore in FY22 on account of increase in profitability.

B. Key Rating Weaknesses

Moderate capital structure with weak debt protection metrics

The TNW improved from Rs. 12.48 Crore as on March 31, 2022, to Rs. 13.43 Crore as on March 31, 2023, due to accretion of profits to reserves. Total debt has increased from Rs. 25.90 Crore as on March 31st, 2022, to Rs. 26.03 Crore as on March 31st, 2023. The overall gearing of the company improved to 1.94x as on March 31, 2023, against 2.08x as on March 31, 2022, on account of accretion of profits to reserve along with scheduled repayment of term loan. TOL/TNW stood at 4.04x as on March 31st, 2023, moderated from 2.75x as on March



Press Release

31st, 2022, because of increase in creditors during FY23. The Debt protection metrics of the company is weak with DSCR at 0.95x in FY23 (0.69x in FY22) and Interest Coverage at 1.81x in FY23 (against 1.52x in FY22). Total Debt to GCA improved from 25.84x in FY22 to 15.68x in FY23 on account of an increase in net profits.

Seasonality associated with business operations.

The fertilizer industry being activity allied to the agriculture sector, it is highly regulated and monitored by the government to ensure adequate control over the quality, price and distribution of fertilizers. Also, demand for fertilizers is dependent on adequacy and distribution of monsoon in a particular region.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating Outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing Period](#)

Liquidity: Stretched

The company's liquidity remains stretched on account of limited cushion in the working capital limits and low unencumbered cash and bank balance as on 31st March 2023. The GCA has improved to Rs. 1.66 Crore in FY23 against Rs. 1.00 Crore in FY22. The current ratio stood moderate at 1.27x as on March 31st, 2023. Operating cycle of the company stood at 101 days in FY23 against 270 days in FY22. The average fund based working capital utilization stood at 86.02% for the last 12 months with some months having utilisation of more than 98%.

About the Company

Hindustan Rasayan Pvt Ltd was incorporated in 1994. The company is promoted by Mr. Vinay Pal Jain, Mr. Sanjay Pal, Mr. Ankit Jain and Mr Vasu Jain. The company is engaged in manufacturing of Agro Chemical. The manufacturing unit of the company is situated in Bathinda, Punjab. The annual installed capacity of the company stood at 24,000KL for liquids, 1,800MT for powder, 10,000MT for granules, and 1,000MT for WDG.



Press Release

Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2022 Audited	31-03-2023 Audited
Total Operating Income	34.37	99.48
EBITDA	2.81	3.12
PAT	0.33	0.93
Total Debt	25.90	26.03
Tangible Net Worth	12.48	13.43
EBITDA Margin (%)	8.18	3.14
PAT Margin (%)	0.96	0.93
Overall Gearing Ratio (x)	2.08	1.94

*Classification as per Infomerics' standards (NM= Not Meaningful)

Details of non-co-operation with any other CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating as on 02.05.2024	Date(s) & Rating(s) assigned in 2023-24.	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Fund based limits	Long Term	9.44	IVR BB/ Stable (IVR Double B with stable outlook) (Assigned)	-	-	-
Fund based limits	Short Term/Short Term	14.25	IVR A4 (IVR A Four) (Assigned)	-	-	-



Press Release

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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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Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	Nov 2024	1.06*	IVR BB / Stable
GECL	-	-	Jan 2027	1.59*	IVR BB / Stable
Term Loan	-	-	Jan'25	0.13*	IVR BB / Stable
Term Loan	-	-	Sept'24	0.52*	IVR BB / Stable
Term Loan	-	-	Mar'27	0.57*	IVR BB / Stable
Term Loan	-	-	Feb'31	5.57*	IVR BB / Stable
CC	-	-	-	14.25**	IVR BB/Stable/IVR A4

* Outstanding as on 31-12-2023

** PCFC of Rs. 2.00 Crore is sublimit of CC.

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Hindustan-Rasayan-may24.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