



## Press Release

### Hi-Tech Pipes Limited (HPL)

May 16, 2022

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Cash Credit	224.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Term Loan	26.79	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities – Cash Credit	35.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	32.00	IVR A1 (IVR Single A One)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit	80.00	IVR A1 (IVR Single A One)	Assigned	Simple
Proposed Short Term Non-Fund Based Bank Facilities – Bank Guarantee/Letter of Credit	27.21	IVR A1 (IVR Single A One)	Assigned	Simple
Proposed Commercial Paper	10.00	IVR A1* (IVR A One)	Reaffirmed	Simple
<b>Total</b>	<b>435.00</b> <b>(INR Four Hundred and Thirty Five Crore Only)</b>			

Details of Facilities are in Annexure 1

\* For above mentioned proposed Commercial Paper (CP) issuance, Hi-Tech Pipes Limited will keep an equivalent amount of working capital bank limits unutilized.



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### **Detailed Rationale**

The aforesaid assignment/affirmation of ratings to bank facilities & proposed CPs of Hi-Tech Pipes Limited takes into account HPL's established position in steel tube manufacturing business, diversified product portfolio, reputed suppliers with annual raw material supply contracts, Increasing Average Realizations and EBITDA per Metric Ton, Large scale of operation & comfortable debt protection parameters and moderate capital structure. The rating however is constrained by limited value addition with price based competitive market landscape and exposed to volatility in raw material prices.

### **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 & 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 company to serve many customers. Also, promoter's long experience helps the Company to strengthen its business profile. Besides, the Company is listed



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on Bombay Stock Exchange & National Stock Exchange, giving them access to capital markets.

### **Diversified Product Portfolio:**

The Company has wide variety of product portfolio like ERW (Electric Resistance Welded) 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. 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 down turn in individual industries/segment.

### **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 Arcelor Mittal Nippon Steel India Limited. Annual raw material supply contracts ensures steady supply of raw material to meet customer demands.. 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.

### **Increasing Average Realizations and EBITDA per Metric Ton.**

HPL has shown a rebound in its Average Realization price per ton in FY22 to ~ INR 67,956 from ~ INR 51,004 in FY 21. Also, EBITDA per metric ton is showing a increasing trend. It has risen to ~ INR 3,424.01 in FY22 from INR 2,710.97 in FY21. Improving EBITDA reflects company's competitive position & efficient management, The sustainability of EBITDA margin will be a key monitorable.



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### **Large scale of operation & Comfortable debt protection parameters.**

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. Also, HPL's debt protection metrics has improved as shown by ISCR which was at 2.19x in FY21 from 1.97x in FY20. Also, Total Debt/EBITDA has improved to 4.48x in FY21 compared to 5.27x in FY20. The Company's revenues has shown good growth trajectory in last two years. They have grown ~ 11 % in FY21 to INR 1340.63 crores from INR 1209.62 crore in FY20. Further the company booked the revenue of INR1,284.07 crores till 3QFY22. The upward trends of revenue is expected to continue in FY23 also.

### **Moderate capital structure:**

The Company's capital structure is moderate as shown by overall gearing in FY21 at 1.54x compared to 1.80x in FY20. The Total Debt/Gross Cash Accruals ratio stood at 9.18x in FY21 compared to 11.37x in FY20. Going forward the Capital structure will tend to improve based on the fact that, the current debt levels will reduce due to repayment and the accruals will be ploughed back in the business augmenting net worth. Also the management is not planning for any major debt funded capex in the medium term.

### **Key Rating Weaknesses**

#### **Limited 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



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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, 2022.

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

### **Liquidity – Adequate**

HPL has adequate liquidity driven by adequate Cash Accruals against the upcoming debt maturities. The company has a working capital limits of Rs 326.50 crore with average maximum Bank Limits Utilisation of ~57% for 12 months ended April 2022. This gives HPL an opportunity to further expand its sales without putting pressure on working capital. Further, HPL also maintains Rs 18.55 crore in the form cash and equivalents. The Company's current ratio for FY22 stood at 1.58X. As



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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.

### **Financials: Standalone**

For the year ended As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	1209.62	1340.63
EBITDA	59.23	70.80
PAT	20.39	22.80
Total Debt	312.08	316.99
Tangible Net worth	173.55	205.18
EBITDA Margin (%)	4.90%	5.28%
PAT Margin (%)	1.68%	1.70%
Overall Gearing Ratio (x)	1.80	1.54

**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 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	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	224.00	IVR A1 (IVR A One)	--	--	--	--
2.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	26.79	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--	--	--	--
3.	Proposed Long Term Fund Based Bank Facilities – Cash Credit	Long Term	35.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--	--	--	--
4.	Short Term Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	32.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)	--	--	--	--
5.	Short Term Non-Fund Based Bank Facilities – Letter of Credit	Short Term	80.00	IVR A1 (IVR Single A One)	--	--	--	--
6.	Proposed Short Term Non-Fund Based Bank Facilities – Bank Guarantee/Letter of Credit	Short Term	27.21	IVR A1 (IVR Single A One)	--	--	--	--
7.	Proposed Commercial Paper	Short Term	10.00	IVR A1 (IVR A One)	IVR A1 (IVR A One)	--	--	--



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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	-	-	-	224.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Long Term Fund Based Bank Facilities – Term Loan	-	-	Upto June 26	26.79	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Proposed Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	35.00	IVR A / Outlook: Stable (IVR Single A with Stable Outlook)
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	-	-	-	32.00	IVR A1 (IVR Single A One)
Short Term Non-Fund Based Bank Facilities – Letter of Credit	-	-	-	80.00	IVR A1 (IVR Single A One)
Proposed Short Term Non-Fund Based Bank Facilities – Bank Guarantee/Letter of Credit	-	-	-	27.21	IVR A1 (IVR Single A One)
Proposed Commercial Paper	-	-	-	10.00	IVR A1 (IVR A One)

### Annexure 2: List of companies considered for consolidated analysis:

Sr.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

<https://www.infomerics.com/admin/prfiles/Len-HiTech-May22.pdf>

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



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**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](http://www.infomerics.com)