November 02, 2017

Hi-Tech Pipes Limited

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Term Loans	15.0	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING# *Rating moved to the 'Issuer Not Cooperating' category*
Fund-based/ Non-fund Based Limits	10.0	[ICRA]BBB- (Stable)/[ICRA]A3 ISSUER NOT COOPERATING# *Rating moved to the 'Issuer Not Cooperating' category*

Issuer did not cooperate; based on the best available information
*Instrument details are provided in Annexure-1

Rating action

ICRA has moved the ratings for Rs. 25.0-crore[1] bank facilities of Hi-Tech Pipes Limited (HTPL) to the 'Issuer Not Cooperating' category. The ratings are now denoted as **"[ICRA]BBB- (Stable)/ [ICRA]A3 ISSUER NOT COOPERATING".**

Rationale

The rating is based on limited information on the entity's performance and limited cooperation from the entity since the time it was last rated in May 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as it does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA. However, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As a part of its process and in accordance with its rating agreement with HTPL, ICRA has been seeking information from the entity so as to monitor its performance. Also, ICRA has been sending repeated reminders to the entity for payment of surveillance fee that became due. Despite repeated reminders by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information and cooperation, and in line with SEBI's Circular No SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information and has moved the company's rating to the "ISSUER NOT COOPERATING" category.

Key rating drivers

Credit strengths

- Extensive experience of the promoters in the pipes industry
- Consistent growth in operating income on the back of improving sales volumes
- Geographical diversification in terms of setting up manufacturing facilities in western and southern India alongside the existing facilities in northern India
- Focus on product diversification through value-added products like galvanised iron pipes, pre-galvanised pipes, hollow sections etc.

[1] *100 lakh = 1 crore = 10 million*

Credit weaknesses

- Deterioration in capital structure owing to debt-funded capex and increase in working capital debt
- Debt-coverage indicators remain moderate
- Vulnerability of operating profitability to raw material price movement
- Intense competition from large as well as unorganised players

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

Corporate Credit Rating Methodology
Rating Methodology for Entities in the Ferrous Metals Industry

About the company

HTPL, incorporated in 1985 as M/s Ram Lal Harbans Lal Limited. The company started production of mild steel (MS) pipes from hot rolled coils in 1988. Later, it added more products to its portfolio such as CR coils and strips in 1996, GI Pipes/Coils in 2001 and GP Pipes in 2015. HTPL has four manufacturing units – two in Sikandrabad, Uttar Pradesh, one in Sanand, Gujarat and one in Hindupur, Andhra Pradesh. The total manufacturing capacity of the company is 300,000 TPA.

Key financial indicators

Consolidated (Rs. crore)	FY2016	FY2017
Operating Income (Rs. crore)	503.9	637.4
PAT (Rs. crore)	6.5	10.3
OPBDIT/ OI (%)	6.3%	6.3%
RoCE (%)	11.4%	14.5%
Total Debt/ TNW (times)	2.14	2.35
Total Debt/ OPBDIT (times)	4.44	4.50
Interest Coverage (times)	1.87	1.95
NWC/ OI (%)	27%	25%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years

Table

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	**Amount Rated (Rs. Crore)**	**Date &Rating**	**Date & Rating in FY2017**	**Date & Rating in FY2016**	**Date & Rating in FY2015**
				Nov 2017	**May 2016**	**-**	**-**
1	Fund-based/ Non-fund Based Limits	Long/ Short Term	10.0	[ICRA]BBB- (Stable)/ [ICRA]A3; ISSUER NOT COOPERATING*	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-
2	Term Loans	Long Term	15.0	[ICRA]BBB- (Stable); ISSUER NOT COOPERATING*	[ICRA]BBB- (Stable)	-	-

** - Issuer did not co-operate; Based on best available information*

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Instrument Details

ISIN No.	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
	Fund-based / Non-fund Based Limits	-	-	-	10.0	[ICRA]BBB- (Stable)/ [ICRA]A3 ISSUER NOT COOPERATING*
	Term Loans	-	-	-	15.0	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING*

Source: Hi-Tech Pipes Limited

** - Issuer did not co-operate; Based on best available information*

Contact Details

Analyst Contacts

Sabyasachi Majumdar
+0124-4545 304
sabyasachi@icraindia.com

Ankit Jain
+91-124-4545865
ankit.jain@icraindia.com

Harsh Jagnani
+91-124-4545394
harshj@icraindia.com

Relationship Contact

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	