

Hindusthan Urban Infrastructure Limited

Instrument	Amount Rated (Rs. crore)	Rating Action
Term Loan	75.99 (revised from 57.27)	[ICRA]BBB- (Negative) (revised from [ICRA]BBB (Stable))
Cash Credit	83.00 (revised from 80.00)	[ICRA]BBB- (Negative) (revised from [ICRA]BBB (Stable))
Non Fund Based Limits	384.25 (revised from 405.97)	[ICRA]A3 (revised from [ICRA]A2)

ICRA has revised its long term rating on the Rs.158.99 crore[^] fund based bank limits of Hindusthan Urban Infrastructure Ltd. (HUIL)[†] to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BBB (pronounced ICRA triple B) and its short term rating on the 384.25 crore non fund based limits to [ICRA]A3 (pronounced ICRA A three) from [ICRA]A2 (pronounced ICRA A two). The outlook on the long term rating has been changed to 'Negative' from 'Stable'.

The revision in ratings take into account the deterioration in the financial risk profile as reflected by decline in profitability and return indicators, moderation in debt protection metrics and tightening of liquidity position during 2014-15 and 9M 2015-16. The ratings continue to factor in the corporate guarantee extended by HUIL to Hindusthan Speciality Chemicals Ltd. (HSCL) of Rs. 170 Cr. for its epoxy resin plant and the high competitive intensity in the insulators and conductors division. The ratings also factor in the decline in HUIL's scale of operations during 2015-16 and its modest order book position as well as the vulnerability of HUIL's profitability to fluctuations in raw material prices and foreign exchange rates. However, the ratings continue to factor in the long experience of the promoters and management in the conductors and insulators business, extension of the safeguard duty on import of insulators and strong customer base with Power Grid Corporation of India Ltd. (PGCIL) being the major customer thereby mitigating the counterparty credit risk to a certain extent.

Going forward, the ability of the company to increase order inflow, improve profitability margins, liquidity position along with ensuring timely debt servicing would be the key rating sensitivities.

Company Profile

HUIL was incorporated in the year 1959 under the name of 'The Indian Aluminium Cables Ltd'. The company was engaged in manufacturing of aluminum conductors at its two plants in Ghaziabad & Faridabad. During April, 1982 a conductor and transformer manufacturing company by the name of Gwalior cables & Conductors Limited was merged in HUIL subsequent to which a power cable manufacturing unit was installed by the company at its Faridabad plant. In April, 2000, the company took over a unit manufacturing all types of insulators by the name of 'Insulators & Electricals Company' (IEC) located in Mandideep (M.P). Currently, HUIL is engaged in manufacturing of HT insulators and overhead transmission conductors. The chief customers for the aluminium conductors are PGCIL(Power Grid Corporation of India Limited) and state utilities.

Recent Results

In 2014-15, HUIL reported a net profit of Rs. 2.77 crore on an operating income of Rs. 789 crore, as against a net loss of Rs. 2.21 crore on an operating income of Rs. 719 crore in the previous year. For 9M 2015-16, HUIL reported net loss of Rs. 12.78 crore on an operating income of Rs. 440 crore.

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[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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