

## Hira Power & Steels Limited

Rating Instrument	Amount	Rating Action
	In Rs. Crore	As on July 2016
<b>Fund Based Facilities</b>	124.0 (reduced from Rs. 129.0 crore)	[ICRA]BB+ (Reaffirmed) (Stable Outlook)
<b>Non-Fund Based Facilities</b>	118.5	[ICRA]A4+ (reaffirmed)

ICRA has reaffirmed the long term rating of Hira Power & Steels Limited (HPSL) at **[ICRA]BB+** (pronounced ICRA double B plus) for Rs. 124.0 crore<sup>1</sup> Fund Based facilities (reduced from Rs. 129.0 crore). The outlook on the long term rating is “**stable**”. ICRA has also reaffirmed the short term rating of HPSL at **[ICRA]A4+** (pronounced ICRA A four plus) for Rs. 118.5 crore Non Fund Based facilities<sup>†</sup>.

The reaffirmation of HPSL’s ratings takes into account the long experience of its promoters in the Ferro-alloy industry, its competitive cost structure with access to captive power plant with coal linkage and its reduced exposure to foreign exchange fluctuation risks as the company now follows a definitive hedging policy for its imports. Further, the company has been able to secure a few large contracts from reputed parties in the current year which have improved its revenue visibility in the short to medium term. The ratings are however constrained on account of significant losses incurred during FY16 due to continuous decline in ferro alloys realizations during the year. The funding of such losses has happened largely through release of working capital with the decline in inventory levels besides equity infusion by the promoters. ICRA notes that while there is some improvement in realizations of HPSL’s products in the current year, risk of incurring similar losses in future remains given the highly cyclical nature of ferro alloys and steel industry. The ratings continue to be constrained due to high working capital intensity of HPSL’s operations and its high gearing levels owing to significant debt employed to fund working capital requirements, investments in its subsidiaries and on-going capital expenditure. Further, HPSL has made significant investments in its subsidiaries, majority of which are abounded with concerns and have not been value accretive until now. Going forward, HPSL’s ability to improve its profitability and credit profile and reduce the extent of its investments in group companies will be the key rating sensitivities.

### Company Profile

Hira Power and Steels Limited (HPSL) is a part of the Hira Group of Industries promoted by the Agarwal family. HPSL is engaged in the manufacturing of Ferro-alloys such as Silico Manganese and Ferro Manganese. Its production facilities which are located in Urla, Raipur consists of five furnaces with a combined installed capacity of 46,000 MT per annum. HPSL’s operations are supported by a 20 MW captive power plant with 100% coal linkage. It also has captive manganese mines with total reserves of 200,000 MT situated at Jagantola in the Balaghat district of Chhattisgarh which partially meets its raw material requirements.

**Recent results:** In FY2015, HPSL posted a net operating income of Rs. 275.45 crore and a profit after tax of Rs. 10.35 crore as compared to an operating income of Rs. 273.54 crore and a profit after tax of Rs. 3.88 crore in FY2014. As per the provisional numbers for FY2016, the company has reported a net operating income of Rs. 215.22 crore and a net loss of Rs. 20.10 crore

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