

HI-TECH PIPES LIMITED

To

01st January, 2019

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex-Bandra(E),
Mumbai-400051,

NSE Symbol: HITECH

Subject: Intimation of Credit Rating

Dear Sir/Madam,

Pursuant to regulation 30(6) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform you that **BRICKWORK** the credit rating agency, has assigned the Long term credit rating **BWR A-** (Pronounced as **BWR Single A Minus**) (Outlook: Stable) and Short term credit rating have been assigned **BWR A2** (Pronounced as **BWR A TWO**).

The aforementioned information is also disclosed on the website of the Company i.e. www.hitechpipes.in

Copy of the Credit rating is enclosed for your reference.

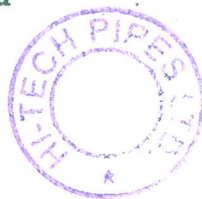
Kindly take the note of above information on record and oblige.

Thanking you,

Yours faithfully,

For Hi-Tech Pipes Limited

Ajay Kumar Bansal
Managing Director



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Netaji Subhash Place, Pitampura, New Delhi - 110034

CIN : L27202DLI985PLC019750

Tel: +91-11-48440050 Fax: +91-11-48440055

Works : Plot No. 10, Sikandrabad Industrial Area, (U.P.) - 203205

Web : www.hitechpipes.in | **Email :** info@hitechpipes.in



Rating Rationale

Hi-Tech Pipes Ltd.

31 Dec 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹.289.07 Crs. of Hi-Tech Pipes Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	193.00	194.07	Long Term	BWR BBB+ (Pronounced as Triple B Plus) Outlook: Stable	BWR A- (Pronounced as BWR Single A Minus) Outlook. Stable [Upgrade]
Non Fund Based	67.00	95.00	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A2 (Pronounced as BWR A Two) [Upgrade]
Total	260.00	289.07	INR Two Hundred Eighty Nine Crores and Seven Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projected financial statements up to FY21, publicly available information and information/clarifications provided by the Company.

Rating **Upgrade** takes into account Y-O-Y increase in scale of operations, improvement in profitability margins, capital infusion during FY18 and improvement in leverage levels. The rating also factors in experienced promoters, established track records, awards won during the



year, diversified customer base and ongoing capacity expansion. The rating is, however, constrained by stretched liquidity position and susceptibility to raw material prices.

Going forward scaling up of business, meeting projections and ensure timely servicing of debt would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced management and established track record:-** Having decades of industry experience, management of the company is well placed to carry on the business successfully. Also the company has established track record in terms of growing scale of operations an meeting projections successfully year after year.
- **Increase in scale of operations:-** The company has reported total operating income of Rs. 845.65 Crs in FY18 against total operating income of Rs. 663.89 Crs in FY17 with an annual growth rate equivalent to 27.38% for the year. For the last three years the company has grown with a CAGR of 29.54%. For H1FY19, the company has achieved sales of Rs. 530.92 Crs with profit after tax of Rs. 9.39 Crs against sales of Rs 363.72 Crs and PAT of Rs. 6.29 Crs during corresponding period last year.
- **Improvement in profitability margins:-** With the increasing scale of operations, the company has also shown improvement in profitability margins with net margin moving up from 1.32% during FY17 to 1.72% during FY18
- **Improvement in leverage levels helped by moderate capital infusion:-** TOL/TNW & TD/TNW of the company improved from 3.16 times and 2.01 times respectively as on 31st March 2017 to 2.37 times and 1.79 times respectively as on 31st March 2018 on account of profit retention and capital infusion. Promoters infused Rs. 8.00 Crs of capital in the form of share capital. Also the company issued 8,00,000 warrants at Rs. 400 per share. First tranche of Rs. 100 per warrant equivalent to Rs. 8.00 Crs were infused during FY18 taking the total capital infusion during FY18 equal to Rs. 16.00 Crs. Rest of the 24.00 Crs due from share warrants issued during FY18 were expected to get infused during FY19. As per the H1FY19 financials, the promoters already have infused Rs. 6 Crs against 2 lacs warrants issued during previous year and rest is expected to get infused during second half of FY19

Credit Risks:

- **Working capital intensive nature of business:-** The company has high working capital requirement as the company has to pay in advance on supply side and has to provide credit period to its buyers. Also the company maintains high inventory levels as



indicated in the financials of the company which makes it further working capital intensive for the company.

- **Susceptibility to raw material prices:-** As raw material for the company is steel, movement in raw material prices is also a cause of concern. This risk is mitigated by absence of long term contracts, the company gets continuous orders and at any point of time, the company has orders in hand of around 20 - 25 days which protects the company from sharp movements in the raw material prices
- **Competitive and fragmented nature of business:-** Business of the company is highly fragmented and competitive marked by presence of organised as well as unorganised players. This nature of the industry restricts the pricing flexibility and bargaining power of the player which further affects the operating margins of the company.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Hi-Tech Pipes Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Liquidity Position:

The company has total liquid cash of Rs. 0.70 Crs as at November end. Apart from the FDs of Rs. 12.40 Crs are kept as margin money with the bank. Also the company has considerable working capital lines lying unutilised which provide the company enough cushion to expand the business.

ISCR and DSCR of the company stood at 2.00 times and 1.24 times respectively in FY18. Also the company has moderate cash surplus against repayment obligation for the current year.

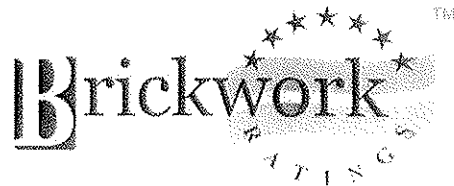
About the Company

Company was incorporated as Ram Lal Harbans Lal Limited on January 02, 1985 and name of the Company was changed to Hi-Tech Pipes Limited on October 15, 1986. The company was listed on NSE- SME platform on dated 25 feb 2016 and then it got listed on NSE in February 2018

3

FOR HI-TECH PIPES LTD.

Authorised Signatory



The company is engaged in manufacturing of Electric Resistance Welded (ERW) Pipes, Steel Tubes (for oil, gas and water), Cold rolled (CR) and Galvanized Coils, Mild Steel (MS) Flats and Metal Beam Crash Barriers. The combined installed capacity of the company is 240000 MT per annum during FY17. This will further increase to 300000 MT by year end FY19

Company Financial Performance

The company has reported total operating income of Rs. 845.65 Crs in FY18 with a net profit of Rs. 14.56 Crs against total operating income of Rs. 663.89 Crs in FY17 with net profit of Rs. 8.79 crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017 Oct	2016 May	2015 May
	Fund Based						
1.	Cash Credit	Long Term	169.50	BWR A-(Pronounced as BWR Single A Minus Outlook: Stable) upgrade	BWR BBB+/A3+ (Stable)	BWR BBB/A3+ (Stable)	BWR BBB-/A3 (Stable)
2.	Term Loan		24.57				
3.	WC DL		(20.00)*				
	Non Fund Based						
4.	LC	Short Term	85.00	BWR A2 (Pronounced as BWR A Two) upgrade.	BWR A3+	BWR A3+	BWR A3
5.	BG		10.00				
	Total		289.07	₹ Two Hundred Eighty Nine Crores and Seven Lakhs Only			

*WC DL is sublimit of CC facility

Letter of Credit of Rs. 30.00 Crs is sub limit of CC facility

BG of Rs. 10.00 Crs is sublimit of CC facility



###EPC of Rs. 10.00 Crs is sublimit of CC facility

Status of non-cooperation with previous CRA (if applicable)-NA

Key Financial Indicators

Key Parameters	Units	FY17	FY18
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	663.89	845.65
EBITDA	Rs. in Crs	36.50	45.75
PAT	Rs. in Crs	8.79	14.56
Tangible Net worth	Rs. in Crs	75.01	105.29
Total Debt/Tangible Net worth	Times	2.01	1.79
Current Ratio	Times	1.19	1.20

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

101 HI-TECH PIPES LTD.
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