Hi Bond Cement India Private Limited (HBCIPL)

March 07, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	244.30 (Increased from 213.81)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Rating Reaffirmed	Simple
Total	**244.30 (Rupees Two hundred and Forty-Four core and Thirty lakh Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the rating to the bank facilities of Hi Bond Cement India Private Limited factors in rebounding of performance in FY24 (refers to the period from April 1, 2023, to March 31, 2024) as expected, continuation of comfortable capital structure and debt protection metrics, established diversified client base and strong distribution network and experienced promoters and management team.

The ratings are however constrained on account of the input costs related risk, intensely competitive industry and cyclicality of the cement industry.

The 'Stable' outlook reflects the experienced promoter group engaged in the similar line of business since long along with steady increase in scale of operations and profitability.

Key Rating Sensitivities:

Upward Factors

- A sustained & substantial improvement in the revenue and profitability while maintaining the debt protection metrics

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Elongation in working capital cycle leading to deterioration in liquidity profile and/or capital structure.
- Any unplanned debt-funded capex of sizeable amount.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Increase in scale of operations and profitability

Due to the increase in the demand for cement, the company reported growth in the total operating income by ~18% from Rs 577.86 crore in FY23 (A) (refers to the period from April 1, 2022, to March 31, 2023) to Rs 679.83 crore in FY24 (A). Due to the economies of scale of operations and decrease of power cost due to installation of solar power plant the profitability indicated by EBITDA margin and PAT margin improved from 2.34% & -0.87% respectively in FY23 to 16.17% & 4.80% respectively in FY24 (A). As per the 8MFY25 it has booked the revenue of Rs.323.39 crore and EBITDA of Rs.39.13 crore.

Comfortable capital structure and debt protection metrics

The capital structure indicated by overall gearing ratio & TOL/TNW improved from 1.26x & 1.98x in FY23(A) to 0.72x & 1.62x in FY24(A) this improvement was due to decrease of Total Debt from Rs 202.34 crore in FY23(A) to Rs 142.60 crore in FY24(A). Due to increase of profitability, the debt protection metrics indicated by Interest Coverage ratio and DSCR improved on y-o-y basis and continued to remain comfortable at 7.24x & 3.03x as on March 31, 2024.

Experienced promoters & management team

The company continues to being managed by experienced directors and promoters. Collectively, they have rich experience in the cement industry and are instrumental in setting up and developing the company. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers. The company has a team of experienced and capable professionals, having over a two decade of experience in the segment, to look after the overall management. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background.

Established diversified client base and strong distribution network albeit geographical concentration risk with major sales coming from one state

With promoters' extensive experience, established network with the distributors, the company has been able to gather a diversified client base. The top five customers of the company only account for less than 10% of the sales indicating a diversified client base. Company has around 450+ dealers in the state of Gujarat. However, due to the peculiar properties of cement and its relatively high transportation cost, the presence of the company remains concentrated in one state only.

Key Rating Weaknesses

Input costs related risk

Increase in the prices of limestone, coal, diesel and packaging material impacts the profitability of cement players. Realizations and profitability are also affected by demand, supply, offtake and regional factors. However, to mitigate this risk to major extent the company has installed a captive 34.2 MW solar and a wind power plant. The same is operational since January 2023.

Intensely competitive industry

Cement industry is one of the highly competitive markets in India. Many players in the industry have huge amounts of capital invested in the business which raises the exit barrier for the companies and hence the companies compete aggressively. Also, the product differentiation is marginal thereby customer stickiness remains low. Hence companies compete intensely to gain market share.

Cyclicality of the cement industry

Due to the long gestation period for setting up a facility, capacity addition in the cement industry tends to be sporadic and various players take capacity additions during the peak of a cycle. This leads to unfavourable price cycles for the sector. Company remains exposed to the demand and pricing dynamics in the cement industry, which are influenced by the cyclical economic trends and capacity additions by the players during such periods. The cyclical/seasonal nature of the cement industry creates uncertainty over demand and cash cycles for company. This may impact the company's capacity utilisation, revenues, and profit margins. Resulting volatility in cash flow could pose challenges, especially during the periods of weak demand.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Criteria for assigning Rating outlook.
- Policy on Default Recognition and post default Curing period
- Complexity Level of Rated Instruments/Facilities
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Strong

The Liquidity position of the company is strong for the projected period of FY25-FY27 with sufficient GCA vis a vis repayment o. The average working capital utilization remained around 40% for the last 12 months ending October 2024. Furthermore, the company has availed enhancement in the CC limits which remained unutilized for the period, acting as an additional cushion to the liquidity of the company. The company reported above unity current ratio, however due to the nature of business and the requirement to maintain a high level of inventory, the company reported below unity quick ratio as on March 31, 2024. Additionally, company has Rs 7.38 crore cash and cash equivalent as on March 31, 2024, which increased to Rs.9.33 crore as on December 31, 2024.

About the Company

Hi Bond Cement India Private Limited is primarily engaged in manufacturing of cement mainly Ordinary Portland Cement (OPC), Pozzolana Portland Cement (PPC) and Slag Cement. The plant capacity of the company is 1.92 million ton per annum, based in Rajkot Gujarat. The company has also installed wind power plant and solar power plant to aid its profitability and reduce its expenses.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	577.86	679.83
EBITDA	13.53	109.93
PAT	-5.06	32.82
Total Debt	202.34	142.60
Tangible Net Worth	160.76	198.02
EBITDA Margin (%)	2.34	16.17
PAT Margin (%)	-0.87	4.80
Overall Gearing Ratio (x)	1.26	0.72
Interest Coverage (x)	2.42	7.24

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					December 08, 2023	September 09, 2022	June 11, 2021
1	Term Loan	Long Term	94.30	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	-
2	Cash Credit	Long Term	130.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable
3	Bank Guarantee	Long Term	20.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable

Analytical Contacts:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Ltd. (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	130.00	IVR BBB+/ Stable
Term Loan	-	-	-	up to November 2029	94.30	IVR BBB+/ Stable
Bank Guarantee	-	-	-	-	20.00	IVR BBB+/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-HiBondCement-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.