



## Press Release

### The Indian Hume Pipe Company Limited (IHP)

February 06, 2025

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities (including proposed)	740.00 (Increased from Rs.700.00 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Rating Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities	90.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating Reaffirmed	<a href="#">Simple</a>
Long Term/Short Term Bank Facilities (including proposed)	1,170.00 (Reduced from Rs.1210.00 crore)	IVR A-/Stable/IVR A2+ (IVR Single A Minus with Stable Outlook; IVR A Two Plus)	IVR A-/Stable/IVR A2+ (IVR Single A Minus with Stable Outlook; IVR A Two Plus)	Rating Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>2000.00</b> <b>(Rupees two thousand crore only)</b>				

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

Infomerics Ratings has reaffirmed its rating of IVR A-/Stable/IVR A2+ for the bank facilities of The Indian Hume Pipe Company Limited (IHP). The ratings continue to derive strength from experienced promoters and established track record of operations in water supply segment, healthy order book position, stable operating profile and favourable prospects in the water supply industry. However, these rating strengths remain constrained by working capital intensive operations, susceptibility of operating margin to volatile input prices, tender-based nature of operations and highly fragmented & competitive industry

The Stable outlook reflects the expected steady business risk profile supported by healthy revenue visibility and relative geographic & counterparty diversity in the order book.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in revenues and improvement in profitability thereby leading to an overall improvement in cash accruals and liquidity on a sustained basis.



## Press Release

- Improvement in working capital cycle and realization of receivables on a sustained basis.

### **Downward Factors**

- Moderation in operating income leading to deterioration in profitability and cash accruals.
- Stretch in working capital cycle and delays in realization of stuck receivables impacting the cash flow and liquidity of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

#### **Experienced promoters and established track record of operations in water supply segment**

IHP has over nine decades of experience in EPC business and has established itself as one of the major players providing EPC services in water supply, irrigation and sewerage related projects. The company has an established track record of operations across 12 states. IHP is promoted by Mr. Rajas Doshi, a qualified civil engineer who has more than 48 years of experience in the field of manufacturing, project execution, marketing and sales concerning the businesses of the company. Long standing experience of the promoter in construction industry has led to the established position of the company in India. The promoters are supported by a well-qualified and experienced management team.

#### **Healthy order book position**

IHP has an order book position of Rs.4167.51 crore as on November 07,2024. Majority of the orders are to be executed over a period of 24-30 months, thereby, providing medium term revenue visibility, around 3 times of FY24 (refers to the period April 1 to March 31) total operating income. The order book is well diversified in terms of region and spread over 12 states namely Odisha, Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan, Uttar Pradesh and Maharashtra. The total order book majorly consist of projects which are under Har Ghar Jal Scheme of Central Government in various states. The total order book includes new order of Rs.858.88 crore secured in H1FY25 (refers to the period from April to September) and is around ~21% of total order book. Timely execution of existing order book will be a key rating monitorable.



## Press Release

### **Stable operating profile**

IHP's total operating income (TOI) stood at similar levels at Rs.1388.63 crore in FY24 and Rs.1542.98 crore in FY23. The slight moderation was on account of old projects in the states of Madhya Pradesh, Chhattisgarh and Gujarat which were under commissioning and required critical but small value civil work not generating high value turnover. In addition, new projects in Madhya Pradesh and Orissa had delayed commencement, as their design and drawing approvals took longer time. Also, the volatile geo-political tensions affected the supply chain and in few states availability of funds was a challenge which in turn impacted faster project execution. However, EBITDA and PAT margin improved from 9.44% and 3.56% respectively in FY23 to 13.29% and 5.56% respectively in FY24. The company has achieved TOI of Rs.718.51 crore and EBITDA and PAT margin of 12.03% and 8.34% respectively in H1FY25.

### **Favourable prospects in the water supply industry**

In June 2019, the government set an ambitious target of providing Functional Household Tap Connection for all rural households by 2024 under the Jal Jeevan Mission (JJM). Total estimated outlay under JJM is Rs 3.60 lakh crore. The fund sharing pattern between Centre and State is 90:10 for Himalayan (Uttarakhand, Himachal Pradesh) and North-Eastern States, 100:0 for UTs and 50:50 for rest of the States. JJM scheme has been successful and households with tap connections as on December 31,2024 was 15.40 crore (79.53%) as against total households as on August 15,2019 of 3.23 crore. Since the launch of mission 12.17 crore household has been provided with tap water connection. IHP operates in water pipeline segment where this scheme is announced. There is still scope of additional water supply works under the scheme in various states like Uttar Pradesh, Jharkhand, Rajasthan etc. The Har Ghar Jal in Union Budget 2024-25 has been allocated funds of Rs.70 thousand crore. Driven by the government initiatives and rising demand, the Indian water sector has witnessed several successful Public Private Partnerships and Engineering Procurement Construction projects in the last decade, proving that the country has a favourable investment ecosystem in the domain. This provides an opportunity to the companies offering innovative technologies and solutions that could address the impending water situation in the country. India also has immense potential for the development of Sewage Treatments Plants (STPs), desalination projects, and other wastewater treatment and reuse projects over and above the development of drinking water supply infrastructure. This will be beneficial to companies like IHP.



## Press Release

### **Key Rating Weaknesses**

#### **Working capital intensive operations**

IHP's operations have remained working capital intensive due to the inherent nature of the EPC business. The company has higher receivables position due to the milestone-based payments, build-up of retention money, delays associated with projects as major customers are government entities, position of state finances and procedural delays. The average collection days were high at 207 days in FY24 and 191 days in FY23. However, retention money accounts for around 56% of the total receivables. Overall gearing and TOL/TNW has improved to 0.66x and 1.52x respectively as on March 31,2024 against 1.13x and 2.15x respectively as on March 31,2023. The debt protection metrics is comfortable with interest coverage of 2.51x during FY24 (PY:1.89x). Total debt/Gross Cash Accruals has improved significantly from 12.56 years in FY23 to 6.26 years in FY24. The average working capital utilization was high at ~79% during the last 12 months ended September 2024. Further, there have been inflows from three land development projects between April 2023 to December 2024 of Rs.99.44 crore, thus supporting working capital requirements of the company. Also, company has realised Rs.161.15 crore during 9MFY25 from the stuck debtors.

#### **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products. The company also sets up manufacturing facilities for manufacturing of various types of pipes near its projects which support operating margins. The company is undertaking a capex of ~Rs.50 crore at its Walwa and Dhule factories for further increasing the manufacturing capacity for production of various types of pipes which will fulfil the requirements of upcoming projects in Maharashtra, North Karnataka and South Gujarat captively and balance will be utilised for direct sales to private parties. EBIDTA margin improved to 13.29% in FY24 from 9.44% in FY23.

#### **Tender-based nature of operations and highly fragmented & competitive industry**

The company is getting most of its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many



## Press Release

organized and unorganized players, tender driven nature of business leads to volatility in revenue and profitability. The business depends on the ability to bid for contracts successfully. However, the company's long industry experience of over nine decades and presence in 12 states mitigates this risk to some extent.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

Liquidity position is adequate marked by sufficient cushion expected in average cash accruals vis-à-vis debt repayment obligations of Rs.15-16 crore each in FY25 and FY26. The average working capital utilization was high at ~79% during the last 12 months ended September 2024. The company has realised around Rs.161.15 crore from the stuck projects during 9MFY25 and has certified bills of ~Rs.200 crore which it expects to realise by Q1FY26 which will further aid working capital. Further, there have been inflows from three land development projects between April 2023 to December 2024 of Rs.99.44 crore, supporting working capital requirements of the company. An additional inflow of ~Rs.15.00 crore from these projects is expected in Q4FY25. Earlier promoters have also infused Rs.60 crore through preferential allotment in June 2023 for working capital requirements. As on September 30,2024 company had free cash and cash equivalents of Rs.7.39 crore.

### **About the Company**

The Indian Hume Pipe Company Limited was established by late Mr Walchand Hirachand in 1926. IHP is engaged in providing engineering, procurement, construction and commissioning services in water supply, irrigation and sewerage related projects. The company has presence in almost all water supply related activities, viz. urban & rural water supply, penstock for hydro



## Press Release

power generation, tunnel lining, large diameter irrigation pipelines, head works including pumping machinery, treatment plants, overhead tanks, and other allied civil construction activities.

### Financials (Standalone)

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	1542.88	1388.63
EBITDA	145.63	184.57
PAT	55.70	77.63
Total Debt	778.31	548.18
Tangible Net Worth	690.28	825.11
EBITDA Margin (%)	9.44	13.29
PAT Margin (%)	3.56	5.56
Overall Gearing Ratio (x)	1.13	0.66
Interest Coverage (x)	1.89	2.51

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. 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
					<b>Dec 12, 2023</b>	-	-
1.	Term Loan	Long Term	50.00*	IVR A- /Stable	IVR A-/Stable	-	-
2.	Proposed Term Loan	Long Term	40.00	IVR A- /Stable	IVR A-/Stable	-	-
3.	Cash Credit	Long Term	610.00	IVR A- /Stable	IVR A-/Stable	-	-
4.	WC DL	Long Term	40.00	IVR A- /Stable	IVR A-/Stable	-	-
5.	WC DL	Short Term	25.00	IVR A2+	IVR A2+	-	-
6.	Letter of Credit	Short term	65.00	IVR A2+	IVR A2+	-	-



## Press Release

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. 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
					<b>Dec 12,2023</b>	-	-
7.	LC/BGs	Long Term / Short Term	1150.00	IVR A- /Stable/ IVR A2+	IVR A- /Stable/ IVR A2+	-	-
8.	Proposed LC/BGs	Long Term/ Short Term	20.00	IVR A- /Stable/ IVR A2+	IVR A- /Stable/ IVR A2+	-	-

\*Outstanding as on December 31,2024 is 9.85 crore.

### Analytical Contacts:

Name: Neha Khan

Tel: (022) 62396023

Email: [neha.khan@infomerics.com](mailto:neha.khan@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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](http://www.infomerics.com).



## Press Release

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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
Long Term Fund based bank facility-Term Loan	-	-	-	May 15, 2025	50.00	IVR A- /Stable
Long Term Fund based bank facility-Proposed Term Loan	-	-	-	-	40.00	IVR A- /Stable
Long Term Fund based bank facility-Cash Credit	-	-	-	-	610.00	IVR A- /Stable
Long Term Fund based bank facility-WCDL	-	-	-	-	40.00	IVR A- /Stable
Short Term Fund based bank facility-WCDL	-	-	-	-	25.00	IVR A2+
Short Term Non- Fund based bank facility- Letter of Credit	-	-	-	-	65.00	IVR A2+
Long Term/Short Term Non-fund-based bank facility-LC/BGs	-	-	-	-	1150.00	IVR A- /Stable/ IVR A2+
Long Term/Short Term Non-fund-based bank facility-Proposed LC/BGs	-	-	-	-	20.00	IVR A- /Stable/ IVR A2+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-indian-humepipe-feb25.pdf>

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

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable





## Press Release

**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](http://www.infomerics.com).

