



To

01st January, 2018

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 **CRISIL** the credit rating agency, has assigned the Long term credit rating to **BBB+** (Pronounced as **CRISIL BBB+**) (Outlook: Stable) and Short term credit rating have been assigned to **A2** (Pronounced as **CRISIL A2**).

Further, CRISIL has also assigned credit rating of **A2** (Pronounced as **CRISIL A2**) to the Company's Commercial Paper programme aggregating to Rs. 25 Crore.

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


Arun Kumar
Company Secretary &
Compliance Officer



Hi-Tech Pipes Ltd. Regd. Office : 505, Pearls Omaxe Tower,

Netaji Subhash Place, Pitampura, New Delhi - 110034

CIN : L27202DL1985PLC019750

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

Ratings

Rating Rationale

December 30, 2017 | Mumbai

Hi-Tech Pipes Limited

Suspension revoked; 'CRISIL BBB+/Stable/CRISIL A2' assigned to bank debt ; 'CRISIL A2' assigned to CP

Rating Action

Total Bank Loan Facilities Rated	Rs.231 Crore
Long Term Rating	CRISIL BBB+/Stable (Assigned; Suspension Revoked)
Short Term Rating	CRISIL A2 (Assigned; Suspension Revoked)
Rs.25 Crore Commercial Paper	CRISIL A2 (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revoked the suspension of its rating on the bank facilities of Hi-tech Pipes Limited (HTPL) and has assigned its 'CRISIL BBB+/Stable/CRISIL A2' ratings to the bank facilities. CRISIL has suspended the rating on December 18, 2013, as the company had not provided the information required for a rating review. HTPL has now shared the requisite information enabling CRISIL to assign its ratings.

Additionally, CRISIL has also assigned its 'CRISIL A2' rating to the Rs 25 crore commercial paper of HTPL.

The ratings reflect the Hi-Tech Pipes group's established market presence, diversification in product profile and geographical reach, and the improving financial risk profile. These rating strengths are partially offset by working capital intensity in operations, and exposure to risks from volatile raw material prices and intense competition.

Analytical Approach

CRISIL has taken a consolidated view on HTPL and its 100% subsidiary, HTL Metal Pvt Ltd (HTL), together referred to as the Hi-Tech Pipes group, as both are in the same line of business, and HTL is wholly-owned by HPL. CRISIL has treated unsecured loans as 75% equity and 25% debt, as they are from the group's promoters, and will remain in business in the medium term.

Key Rating Drivers & Detailed Description

Strengths

* Established market position:

Expansion in capacities and the distributor network (to 300 in fiscal 2017, from 150 in fiscal 2015), and healthy relationships with key customers, have helped the volume grow by almost 56% over fiscals 2015 and 2017, thus reflecting the established market presence.

* Diversified product profile and improving geographical presence:

The diverse range of products, including tubes and pipes, cold rolled strips, and engineering products, acts as a safeguard against cyclicity and event-based risks. Geographic presence has also improved, with plants being set up at Gujarat and Andhra Pradesh, together accounting for 40% of capacity, and expected to increase to around 55% by March 2018.

* Improving financial risk profile:

Financial risk profile is marked by a moderately high gearing, and comfortable debt protection metrics. Increase in cash accrual and operating margin, has helped strengthen debt protection metrics, reflected by an interest coverage ratio, of 2.1 times for fiscal 2017. The ratio is expected to improve to 3 times in the medium term, backed by stabilisation of new capacities, leading to economies of scale along with lower interest rate. Gearing stood at 2.0 times as on March 31, 2017, and is expected to improve in the absence of any capital expenditure plans.

Weakness

* Moderate working capital requirement:

Gross current assets have ranged from 130 to 140 days, over the last few years. Though working capital intensity in operations is in line with the industry norms, high growth in turnover has led to sizeable incremental requirement, also reflected from negative cash flow from operations.

*** Exposure to volatility in raw material prices, and intense competition:**

ERW pipe manufacturers are steel converters and fluctuation in raw material cost (85% of the total revenue) are passed on to the consumer, but with a lag of 1-2 months. Hence, the margin remains partly susceptible to fluctuations in prices of steel (hot rolled coils). Monthly pricing mechanism followed by the company, along with order-backed nature of inventory, should offer a shield from any adverse price movements.

Outlook: Stable

CRISIL believes the Hi-Tech Pipes group will continue to benefit from its established market position. The outlook may be revised to 'Positive' if ramp up from added capacities leads to significant growth in profitability and hence better cash accruals, leading to strengthening of the financial risk profile. The outlook may be revised to 'Negative' if pressure on profitability and cash accrual, or any stretch in the working capital cycle, weakens financial risk profile and liquidity.

About the Company

Incorporated in 1985 by Mr HL Bansal, HTPL is an ISO-9001 certified manufacturer of steel tubes and pipes and flat steel products. Operations are currently managed by Mr Ajay Bansal and his son, Mr Anish Bansal. Manufacturing capacities are located in Sikanderabad (Uttar Pradesh) and Sanand (Gujarat). The company is listed on the SME platform of NSE.

HTL is a wholly-owned subsidiary of HTPL, and has commenced operations in 2017. The company has its manufacturing capacity at Hindupur (Andhra Pradesh).

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	635.5	500.7
Profit After Tax	Rs. Cr.	10.35	5.84
PAT Margin	%	1.63	1.17
Adjusted Debt/Adjusted Net worth	Times	1.95	2.06
Interest coverage	Times	2.0	1.8

Status of non cooperation with previous CRA:

HTPL has been classified as non-cooperative by ICRA Ltd vide release date Nov 02, 2017. The reason provided by ICRA Ltd for non-cooperation is non-furnishing of information by HTPL.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Commercial Paper	NA	NA	7-365 days	25	CRISIL A2
NA	Cash Credit	NA	NA	NA	164	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	67	CRISIL A2

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Commercial Paper	ST	25	CRISIL A2		--		--		--		--	--
Fund-based Bank Facilities	LT/ST	164	CRISIL BBB+/Stable		No Rating Change		No Rating Change		No Rating Change		No Rating Change	Suspended
Non Fund-based Bank Facilities	LT/ST	67	CRISIL A2		No Rating Change		No Rating Change		No Rating Change		No Rating Change	Suspended

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	164	CRISIL	-	0	-

Rating Rationale

		BBB+/Stable			
Letter of Credit	67	CRISIL A2	-	0	-
Total	231	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings](#)

[CRISILs Criteria for rating short term debt](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com	Nitin Kansal Director - CRISIL Ratings CRISIL Limited D: +91 124 672 2154 nitin.kansal@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com	Himank Sharma Associate Director - CRISIL Ratings CRISIL Limited D: +91 124 672 2152 Himank.Sharma@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com	Madhulika Gupta Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 124 672 2163 Madhulika.Gupta@crisil.com	

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Last updated: April 2016

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1/1/2018

Rating Rationale

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