

Rating Rationale

May 16, 2023 | Mumbai

Hi-Tech Radiators Private Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.126.27 Crore (Enhanced from Rs.103.96 Crore)
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB/Stable/CRISIL A3+' ratings on the bank facilities of Hi-Tech Radiators Private Limited (HTR).

The ratings continue to reflect the extensive experience of the promoters in the radiator business and increase in revenues, adequate order book and moderate debt protection metrics. These strengths are partially offset by aggressive capital structure, large working capital requirement, and exposure to volatility in raw material prices.

Analytical Approach

Unsecured loans of Rs 8.48 crore as on March 31, 2022 from the promoters and their relatives have been treated as neither debt nor equity as the loans are expected to be retained in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters:

The promoters have more than 25 years of experience in the galvanized and painted radiators and corrugated tanks business, which has helped the company establish its presence in the overseas market and execute projects in a timely manner. This has led to repeat orders from customers. The extensive experience of the promoters should continue to support the business and scale up operations with increase in revenues from Rs.226.62 crores in fiscal 2022 to expected revenues over Rs 285 crores in fiscal 2023.

Adequate order book:

Successful track record of efficient order execution led to healthy orders over Rs.110 crores as on April 2023, to be executed over the next 3-4 months, assuring steady revenue visibility. Established customer relationships and repeat orders should support the company maintain healthy orderbook over the medium term.

Moderate debt protection metrics:

Debt protection metrics are expected to remain moderate with expected interest coverage ratio of 6.94 times and net cash accrual to adjusted debt ratio at 1.18 times for fiscal 2023 (2.70 times and 0.22 times respectively for fiscal 2022).

With no major deviation expected in operating margins, debt protection metrics is expected to remain at similar levels over medium term.

Weakness:

Aggressive capital structure:

Total outside liabilities to adjusted networth ratio was high at 3.41 times as on March 31, 2022 (estimated to be at 1.37 times as on March 31, 2023) and will continue to at similar levels over the medium term. Improvement in net worth will continue on account of healthy accretion to reserves thus keeping the financial risk profile aggressive, over the medium term, with debt-funded capex to be incurred over the next 3-6 months.

Working capital-intensive operations:

HTR has large working capital requirement, as reflected by gross current assets (GCAs) of 157 to 178 days for past three fiscals, primarily driven by large credit period of 67 to 159 days offered to customers due to large transit period. Also, to meet its production requirement, HTR must store inventory of 43 to 54 days. GCA days are expected to improve over the medium term thus estimating the GCA days ranging from 120 to 130 days for fiscal 2023. Operations will remain working capital intensive over the medium term.

Exposure to volatility in raw material prices:

The prices of raw materials, such as zinc and cold rolled close annealed (CRCA) coils, are quite volatile. Although, the company is able to pass on any price increase to customers, its usually with a lag. Hence operating margin has remained volatile in range of 8.4-12% in the past three fiscals.

Liquidity - Adequate

Bank limit utilisation is moderate at around 65 percent for the past 12 months ended March 2023. Cash accrual are expected to be in the range of Rs 22 to 27 crores which are sufficient against term debt obligation of Rs 4 to 7 crores over the medium term. Cash and cash equivalents as on March 31, 2023 stood at Rs 5.22 crores.

Current ratio are moderate at 1.24 times on March 31, 2022 The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations.

Outlook: Stable

CRISIL Ratings believes HTR will continue to benefit from its established market position in radiator manufacturing business.

Rating Sensitivity Factors

Upward factors:

- Increase in revenue and stable operating profitability, leading to sustained increase in net cash accrual.
- Significant improvement in the working capital cycle, leading to reduction in TOLANW below 2.5 times

Downward factors:

- Sizeable stretch in the working capital cycle, with GCAs rising above 250 days
- Significant decline in revenue and operating profitability, leading to lower net cash accruals

About the Company

HTR, incorporated in 1989 and promoted by Mr. Yatin Daftari and his son, Mr. Kartik Daftari, is a Mumbai-based company that manufactures galvanized and painted radiators and corrugated tanks . It has three units in Rabale, Maharashtra.

Key Financial Indicators

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	226.62	133.67
Reported profit after tax	Rs crore	6.67	1.30
PAT margins	%	2.94	0.97
Adjusted Debt/Adjusted Networth	Times	1.46	1.38
Interest coverage	Times	2.70	1.99

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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.Crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	33.00	NA	CRISIL BBB/Stable
NA	Non-fund-based limit	NA	NA	NA	36.00	NA	CRISIL A3+
NA	Term loan	NA	NA	Apr-2028	17.52	NA	CRISIL BBB/Stable
NA	Working capital term loan	NA	NA	Dec-2026	9.75	NA	CRISIL BBB/Stable
NA	Proposed Working Capital Facility	NA	NA	NA	22.31	NA	CRISIL BBB/Stable
NA	Proposed Working Capital Facility	NA	NA	NA	7.69	NA	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

	Current	2023 (History)	2022	2021	2020	Start of 2020

Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	90.27	CRISIL BBB/Stable	28-04-23	CRISIL BBB/Stable	07-02-22	CRISIL BBB/Stable	15-01-21	CRISIL BBB/Stable		--	CRISIL BBB/Stable
Non-Fund Based Facilities	ST	36.0	CRISIL A3+	28-04-23	CRISIL A3+	07-02-22	CRISIL A3+	15-01-21	CRISIL A3+		--	CRISIL A3+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	33	Union Bank of India	CRISIL BBB/Stable
Non-Fund Based Limit	36	Union Bank of India	CRISIL A3+
Proposed Working Capital Facility	22.31	Not Applicable	CRISIL BBB/Stable
Proposed Working Capital Facility	7.69	Not Applicable	CRISIL BBB/Stable
Term Loan	17.52	Union Bank of India	CRISIL BBB/Stable
Working Capital Term Loan	9.75	Union Bank of India	CRISIL BBB/Stable

This Annexure has been updated on 16-May-2023 in line with the lender-wise facility details as on 07-Feb-2022 received from the rated entity

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Recognising Default
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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