

## Rating Rationale

February 07, 2022 | Mumbai

### Hi-Tech Radiators Private Limited

*Rated amount enhanced*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.103.96 Crore (Enhanced from Rs.75.98 Crore)
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

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 8.69 crore as on March 31, 2021 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.117 crores in fiscal 2019 to an expected revenues over Rs 200 crore in the current fiscal.
- Adequate order book:** Successful track record of efficient order execution led to healthy orders over Rs.1000 crore as on December 31, 2021, to be executed during the next 5-6 months, assuring steady medium-term revenue visibility
- Moderate debt protection metrics:** Debt protection metrics are expected to remain moderate with expected interest coverage ratio of 2.5-2.7 times and net cash accrual to adjusted debt ratio at 0.2-0.4 time for fiscal 2022. With no major deviation expected in operating margins, debt protection metrics is expected to remain at similar levels over medium term

##### Weaknesses:

- Aggressive capital structure:** Total outside liabilities to adjusted networth ratio was high at 3.10 times as on March 31, 2021 and will continue to at similar levels as on March 31, 2022. Improvement in networth will continue to keep 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 170-180 days for past three fiscals, primarily driven by large credit period of 60-100 days offered to customers due to large transit period. Also, to meet its production requirement, HTR must store inventory of 40-60 days. 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 9-12% in the past three fiscals.

#### Liquidity: Adequate

HTR has adequate liquidity driven by expected cash accruals of Rs.9.5-11 crores annually in fiscal 2023 and fiscal 2024 against long term repayment obligations of Rs.4.20 crores and Rs.2.05 crores, respectively annually. HTR’s fund-based limits have been utilized around 78% over the 12 months ended December 2021. Cash and cash equivalents were Rs.2.83 crores as on March 31, 2021. HTR’s fund-based limits have been utilized around 78% over the 12 months ended December 2021. CRISIL Ratings expects internal accruals, cash & cash equivalents and unutilized bank lines to be sufficient to meet its repayment obligations and incremental working capital requirements.

**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 net cash accrual of more than Rs 15 crore
- 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, lncorporated in 1989 and promoted by Mr Yatin Daftari and his Mr. Kartik Daftari, HTR is a Mumbai-based company that manufactures galvanized and painted radiators and corrugated tanks . It has three units in Rabalein, Maharashtra.

**Key Financial Indicators**

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	133.67	129.47
Reported profit after tax (PAT)	Rs.Crore	1.3	3.31
PAT Margin	%	0.97	2.56
Adjusted debt/adjusted networkth	Times	1.38	1.60
Interest coverage	Times	1.99	2.15

**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. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' 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.Crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	33	NA	CRISIL BBB/Stable
NA	Non-fund-based limit	NA	NA	NA	41	NA	CRISIL A3+
NA	Term loan	NA	NA	Apr-2028	20.21	NA	CRISIL BBB/Stable
NA	Working capital term loan	NA	NA	Dec-2026	9.75	NA	CRISIL BBB/Stable

**Annexure - Rating History for last 3 Years**

		Current		2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	62.96	CRISIL BBB/Stable		--	15-01-21	CRISIL BBB/Stable		--	18-12-19	CRISIL BBB/Stable	CRISIL BBB-/Stable
Non-Fund Based Facilities	ST	41.0	CRISIL A3+		--	15-01-21	CRISIL A3+		--	18-12-19	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	18.23	Union Bank of India	CRISIL A3+
Non-Fund Based Limit	22.77	Union Bank of India	CRISIL A3+
Term Loan	20.21	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 07-Feb-2022 in line with the lender-wise facility details as on 07-Feb-2022 received from the rated entity.

Criteria Details

Links to related criteria
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufaturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">CRISILs Approach to Recognising Default</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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