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Rating Rationale

January 15, 2021 | Mumbai

Hi-Tech Radiators Private Limited

Ratings reaffirmed at 'CRISIL BBB/Stable/CRISIL A3+'

Rating Action

Total Bank Loan Facilities Rated	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 has reaffirmed its ratings on the bank facilities of Hi-Tech Radiators Private Limited (HTR) at 'CRISIL BBB/Stable/CRISIL A3+'.

The ratings continue to reflect the extensive experience of promoters, established relationships with clients a moderate order book and a moderate financial risk profile. These strengths are partially offset by its moderate although improving scale of operations and moderately working capital-intensive operations.

Analytical Approach

For arriving at the ratings, CRISIL has treated unsecured loans of Rs 8.45 crore as on March 31, 2020 as 75% equity, 25% debt as these are subordinated to bank debt and are expected to be retained in the company over the long term.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of promoters, established relationships with its clients and moderate order book**
Presence of more than three decades in the radiator manufacturing segment has enabled the promoters to tie up with reputed export customers and scale up operations. Because of management's technical capabilities, the company booked revenue of Rs 129.47 crore in fiscal 2020, and despite a weaker Q1 in fiscal 2021 the company had booked revenues of over Rs 94 crore till December 2020 supported healthy flow and timely executions of orders. Order book of over Rs 65 crore to be completed in the coming 5- 6 months provides revenue visibility.
- Moderate financial risk profile**
Gearing improved to 1.3 times as on March 31, 2020 from 1.61 times a year earlier, supported by accretion to reserve leading to a moderate networth of Rs 26.65 crore and limited contraction of additional debt. Going forward, despite capex of Rs 7 crore which is partly debt funded, with increasing net worth, gearing has moderated down further. Debt protection metrics were adequate, with interest coverage and net cash accrual to total debt ratios of 2.13 times and 0.2 time, respectively, for fiscal 2020, and are expected to at similar levels over the medium term.

Weakness:

- Moderate scale of operations**
Despite revenue improving over the last 3 years from Rs 104 crore in Fiscal 2018 to Rs 129 crore in Fiscal 2020 with improving margins, scale remains moderate. However, operations are expected to ramp up over the medium term because of new value addition capacity and assured sales.
- Moderately working capital-intensive operations**
The operations have remained moderately working capital intensive reflected in the Gross current assets of around 170 days as on March 31, 2020, because of stretched receivables. Working capital requirement is likely to remain at similar levels over the medium term because of scale up in operations. However, they are adequately supported by creditors of 90 - 120 days.

Liquidity: Adequate

Bank limit utilisation is moderate at around 78% for the past twelve months ended October 2020. Cash accrual are expected to be over Rs 5.4 crore which are sufficient against term debt obligation of Rs 1.8 crore in fiscal 2021 and Rs 3.9 crore in fiscal 2022. In addition, it will be act as cushion to the liquidity of the company. Current ratio is moderate at 1.13 times on March 31, 2020. Liquidity is further supported by unsecured loans from promoters. Also the company had availed the COVID-19 moratorium relief allowed by Reserve Bank of India for the period April to August 2020 to support liquidity

Outlook Stable

CRISIL believes HTR will benefit over the medium term from the experience of its promoters

Rating Sensitivity factors

Upward Factors

- Sustained improvement profitability and revenues backed by higher utilisations of capacities leading to a return on capital employed of over 23%
- Significant improvement in working capital cycle leading to improvement in financial risk profile and liquidity

Downward Factors

- Decline in revenues by over 25% and decline profitability leading to lower cash accruals
- Stretch in working capital requirements leading to weakening of financial risk profile and liquidity.

About the Company

Incorporated in 1989 and promoted by Mr Yatin Daftari and his son, HTR is Mumbai based company which is engaged in the manufacturing of galvanized and painted radiators and corrugated tanks for the international market. It has three units, two in Khopoli, and one in Rabale, Maharashtra.

Key Financial Indicators

As on/for the period ended March 31	Unit	2020	2019
Operating income	Rs crore	129.47	121.70
Reported profit after tax	Rs crore	3.54	3.68
PAT margins	%	2.56	2.47
Adjusted Debt/Adjusted Networkth	Times	1.30	1.61
Interest coverage	Times	2.15	2.11

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Complexity levels	Issue size (Rs.Crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	NA	23.5	CRISIL BBB/Stable
NA	Import Letter of Credit Limit	NA	NA	NA	NA	26	CRISIL A3+
NA	Proposed Cash Credit Limit	NA	NA	NA	NA	4	CRISIL BBB/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	NA	0.74	CRISIL BBB/Stable
NA	Proposed Term Loan	NA	NA	NA	NA	3.31	CRISIL BBB/Stable
NA	Term Loan	NA	NA	Apr-2023	NA	14.78	CRISIL BBB/Stable
NA	Working Capital Term Loan	NA	NA	Sept-2024	NA	3.65	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

		Current		2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	49.98	CRISIL BBB/Stable		--		--	18-12-19	CRISIL BBB/Stable	19-12-18	CRISIL BBB-/Stable	--
Non-Fund Based Facilities	ST	26.0	CRISIL A3+		--		--	18-12-19	CRISIL A3+	19-12-18	CRISIL A3	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	23.5	CRISIL BBB/Stable	Cash Credit	23.5	CRISIL BBB/Stable

Import Letter of Credit Limit	26	CRISIL A3+	Import Letter of Credit Limit	26	CRISIL A3+
Proposed Cash Credit Limit	4	CRISIL BBB/Stable	Proposed Cash Credit Limit	7.06	CRISIL BBB/Stable
Proposed Fund-Based Bank Limits	0.74	CRISIL BBB/Stable	Proposed Term Loan	3	CRISIL BBB/Stable
Proposed Term Loan	3.31	CRISIL BBB/Stable	Term Loan	16.42	CRISIL BBB/Stable
Term Loan	14.78	CRISIL BBB/Stable	-	-	-
Working Capital Term Loan	3.65	CRISIL BBB/Stable	-	-	-
Total	75.98	-	Total	75.98	-

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing 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
The Rating Process
Understanding CRISILs Ratings and Rating Scales
CRISILs Bank Loan Ratings

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