



## HIND RECTIFIERS LIMITED

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Ref. No. HIRECT/SEC/2023-24/43

January 19, 2024

BSE Limited  
Rotunda Building,  
Phiroz Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 001  
Maharashtra

National Stock Exchange of India Limited  
"Exchange Plaza" 5t Floor, C-1, Block 'G'  
Bandra Kurla Complex,  
Bandra (East) Mumbai 400 051  
Maharashtra

Security Code No.: 504036

Symbol: HIRECT

Type of Security: Equity

### Subject: Credit Rating

Dear Sir/ Madam,

This has reference to Regulation 30 of the SEBI Listing Regulations 2015.

In accordance with the said regulation, please find below the details of the rating published by CRISIL on January 18, 2024.

Total bank loan facilities rated	Rs. 150.05 crore (Enhanced from Rs. 132 crore)
Long-term rating	CRISIL BBB-/ Stable (Reaffirmed)
Short-term rating	CRISIL A3 (Reaffirmed)

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Hind Rectifiers Ltd at 'CRISIL BBB-/Stable/CRISIL A3'.

The revision in outlook reflects improvement in the business profile of the company supported by improved profitability and steady growth in scale.

Kindly acknowledge and take the same on record.

Thanking you,

Yours Faithfully,

**For Hind Rectifiers Limited**

**Meenakshi Anchlia**  
(Company Secretary & Compliance Officer)

Encl: As above



## Rating Rationale

January 18, 2024 | Mumbai

### Hind Rectifiers Limited

Ratings reaffirmed at 'CRISIL BBB-/Stable/CRISIL A3'; Rated amount enhanced for Bank Debt

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.150.05 Crore (Enhanced from Rs.132 Crore)</b>
<b>Long Term Rating</b>	<b>CRISIL BBB-/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A3 (Reaffirmed)</b>

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 ratings on the bank facilities of Hind Rectifiers Ltd (HRL) at 'CRISIL BBB-/Stable/CRISIL A3'.

The revision in outlook reflects improvement in the business profile of the company supported by improved profitability and steady growth in scale. The revenues as well as the operating margins are expected to improve marked by revenues of Rs. 230 crore in H1 fiscal 2024 as compared to Rs. 150 crore a year ago. Further operating margins have also improved to 7.5% in H1FY24. The improvement in operating margins is due to improved product mix as well as backward integration measures implemented by the company. Steadily increasing scale backed by healthy demand while maintaining stable operating margins should continue to support the business risk profile over the medium term. Financial risk profile continues to remain comfortable with adequate liquidity.

The ratings continue to reflect the extensive experience of the promoters in the power electronic equipment industry, the strong order book providing revenue visibility and the comfortable financial risk profile of the company. These strengths are partially offset by the large working capital requirement and exposure to risk posed by the tender-based nature of business and concentration in the end-user industry base.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Extensive experience of the promoters:** Benefits from the five-decade-long experience of the promoters in the power electronic equipment industry, their in-depth understanding of market dynamics, development of new products in keeping with changing market demands, and strong relationships with customers and suppliers should continue to support the business. Clientele includes the Indian Railways and Bharat Heavy Electricals Ltd (rated 'CRISIL AA-/Negative'). Revenue rose to Rs. 230 crore in H1 fiscal 2024 as compared to Rs. 150 crore a year ago.
- **Strong order pipeline:** Orders worth more than Rs 430 crore as on November 2023, to be executed in the next 18 months, provide near-term revenue visibility and will help sustain growth in revenue. This is driven by the continuous development of new products and addition of customers.
- **Comfortable financial profile:** Networth was healthy, at around Rs. 91-92 crore as on March 31, 2023. Total outside liabilities to adjusted networth ratio was moderate at around 1.8-1.9 times, as on March 31, 2023, aided by a healthy networth and stable debt. The company has issued 5,00,000 sweat equity shares of Rs. 10.8 crore to the promoters, leading to PAT losses in Q4 fiscal 2023. Capital structure should remain comfortable over the medium term with steady accretion to reserves. Debt protection metrics though have been affected in fiscal 2023 are expected to improve over the medium term with expected increase in operating margins. Interest coverage ratio and net cash accruals to adjusted debt was at around 1.8 times and around 0.08 times in fiscal 2023. Improvement in debt protection metrics remains a key sensitivity factor.

##### Weaknesses:

- **Exposure to risks posed by the tender-based nature of operations and concentration in the end-user industry base:** The company derives 70-80% of its revenue from the Indian Railways, and thus, growth in revenue and profitability remain linked to prospects of this segment. Any slowdown or stretch in receivables could impinge upon performance of the company. Further, as majority of revenue is tender-based, income and profitability also depend upon ability of the company to bid successfully for contracts floated by the Indian Railways and other government agencies. Sustained growth in revenue would be a key monitorable over the medium term.
- **Volatility in operating margin:** Operating margin have been volatile in the range of 4-7% over the past three fiscals through fiscal 2023. The margins improved to 7.5% in H1FY24 as compared to EBITDA loss in H1 FY2023, due

to variation in the product mix and fluctuation in prices of raw materials such as oil, copper, semi-conductors and various other electrical components and execution of contracts at lower rates. Sustenance of healthy margins will remain a key monitorable over the medium term.

- **Large working capital cycle:** Although improving, HRL's operations are working capital intensive, reflected in its estimated gross current assets (GCA) of around 180 days as on March 31, 2023, driven by debtors and inventory stood at 69 days and 98 days, respectively. The company extends moderate credit period of 60-90 days to its customers and has been receiving timely payment from them. Also, the company has to maintain a large inventory of raw materials to meet customer demand on time as well as because of its long processing cycle.

#### **Liquidity: Adequate**

Expected annual cash accruals of Rs. 17-18.5 crore which would be sufficient against repayment obligation of Rs. 8-9.5 crore in fiscal 2025 and 2026. Bank limit utilization is average at 77% for the past 6 months through November 2023. Cash and bank balance of Rs. 1.4 crore as on March 31, 2023. Moderate gearing and healthy networth provide financial flexibility in case of any adverse conditions or downturns in the business.

#### **Outlook: Stable**

CRISIL Ratings believes the business profile of HRL will continue to be supported by extensive experience of promoters.

#### **Rating Sensitivity factors**

##### **Upward factors:**

- Sustenance of margins at around 7.5% at a sustained basis and steady growth in revenue leading to higher cash accrual
- Sustenance of capital structure and working capital cycle

##### **Downward factors:**

- Decline in revenue on account of delays in order execution or further fall in operating margin, leading to cash accrual of less than Rs. 15 crores
- Stretch in working capital cycle affecting the financial profile of the company.

#### **About the Company**

HRL was incorporated in April 1958, by Mr. Sushil Kr. Nevatia. The company is engaged in manufacturing transformer, convertor, inverter, rectifiers, panel etc. The manufacturing facilities are located in Mumbai, Nasik and Dehradun, and registered office in Mumbai.

Incorporated in April 1958, HRL was promoted by the late Mr SK Nevatia and is currently managed by Mr Saurabh Nevatia and Mr Suramya Nevatia. The company manufactures power electronic equipment such as traction transformers for locomotives and electrical multiple units, converters, rectifiers, power semiconductors and railway transportation equipment such as switch board cabinets, regulated battery chargers and inverters. Facilities are in Mumbai, Nashik (both in Maharashtra) and Dehradun (Uttarakhand). The company is listed on the Bombay and National Stock Exchanges.

#### **Key Financial Indicators**

Particulars	Unit	2023	2022
Revenue	Rs crore	359.1	372.10
PAT	Rs crore	-6.4	7.80
PAT margin	%	-1.78	2.10
Adjusted debt/adjusted networth	Times	1.15	0.83
Interest coverage	Times	1.84	3.12

**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.

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#### **Annexure - Details of Instrument(s)**

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Bank guarantee	NA	NA	NA	27	NA	CRISIL A3
NA	Cash credit	NA	NA	NA	101.55	NA	CRISIL BBB-/Stable
NA	Overdraft facility	NA	NA	NA	7	NA	CRISIL BBB-/Stable
NA	Term loan	NA	NA	Jun-26	5	NA	CRISIL BBB-/Stable
NA	Term loan	NA	NA	Jun-26	3.5	NA	CRISIL BBB-/Stable
NA	Term loan	NA	NA	Jun-26	6	NA	CRISIL BBB-/Stable

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

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	123.05	CRISIL BBB-/Stable		--	30-06-23	CRISIL BBB-/Stable	25-11-22	CRISIL BBB-/Stable	28-05-21	CRISIL BBB-/Stable	CRISIL BBB-/Positive
					--	13-02-23	CRISIL BBB-/Negative	30-05-22	CRISIL BBB-/Positive		--	--
					--		--	19-05-22	CRISIL BBB-/Positive		--	--
Non-Fund Based Facilities	ST	27.0	CRISIL A3		--	30-06-23	CRISIL A3	25-11-22	CRISIL A3	28-05-21	CRISIL A3	CRISIL A3
					--	13-02-23	CRISIL A3	30-05-22	CRISIL A3		--	--
					--		--	19-05-22	CRISIL A3		--	--

All amounts are in Rs.Cr.

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	7	ICICI Bank Limited	CRISIL A3
Bank Guarantee	10	Standard Chartered Bank Limited	CRISIL A3
Bank Guarantee	5	IDFC Limited	CRISIL A3
Bank Guarantee	5	TJSB Sahakari Bank Limited	CRISIL A3
Cash Credit	11.9	IDFC FIRST Bank Limited	CRISIL BBB-/Stable
Cash Credit	4.15	TJSB Sahakari Bank Limited	CRISIL BBB-/Stable
Cash Credit	2	ICICI Bank Limited	CRISIL BBB-/Stable
Cash Credit	7.1	IDFC Limited	CRISIL BBB-/Stable
Cash Credit	31.5	TJSB Sahakari Bank Limited	CRISIL BBB-/Stable
Cash Credit	17.9	ICICI Bank Limited	CRISIL BBB-/Stable
Cash Credit	27	Standard Chartered Bank Limited	CRISIL BBB-/Stable
Overdraft Facility	3.5	Standard Chartered Bank Limited	CRISIL BBB-/Stable
Overdraft Facility	3.5	Thane Janata Sahakari Bank limited	CRISIL BBB-/Stable
Term Loan	6	IDFC Limited	CRISIL BBB-/Stable
Term Loan	3.5	Thane Janata Sahakari Bank limited	CRISIL BBB-/Stable
Term Loan	5	ICICI Bank Limited	CRISIL BBB-/Stable

#### Criteria Details

Links to related criteria
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">The Rating Process</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>
<a href="#">CRISILs Bank Loan Ratings</a>
<a href="#">Rating Criteria for Engineering Sector</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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