



HIND RECTIFIERS LIMITED

Ref. No. HIRECT/SEC/2022-2023/45

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November 26, 2022

BSE Limited

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

National Stock Exchange of India Limited

"Exchange Plaza" 5th Floor, C-1, Block 'G'
Bandra Kurla Complex,
Bandra (East) Mumbai 400 051

Security Code No.: 504036

Symbol: HIRECT

Type of Security: Equity

Sub: Credit Rating

Dear Sir/ Madam,

This has reference to Regulation 30(6) of the SEBI Listing Regulations 2015.

In accordance with the said regulation, please find below the details of revised rating issued by CRISIL on November 25, 2022.

Ratings reaffirmed at 'CRISIL BBB- / CRISIL A3 '; outlook revised to 'Stable'

Total Bank Loan Facilities Rated	Rs.132 Crore
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed and outlook revised to 'Stable')
Short Term Rating	CRISIL A3 (Reaffirmed)

CRISIL Ratings has revised its outlook on the long-term bank facilities of the Company to 'Stable' from 'Positive, while reaffirming the rating at 'CRISIL BBB-'; the short-term rating has been reaffirmed at 'CRISIL A3'. The Company reported losses due to significant increase in prices of the raw material and execution of existing contracts at lower prices.

Kindly take the same on record.

Thanking you,

Yours Faithfully,

For Hind Rectifiers Limited

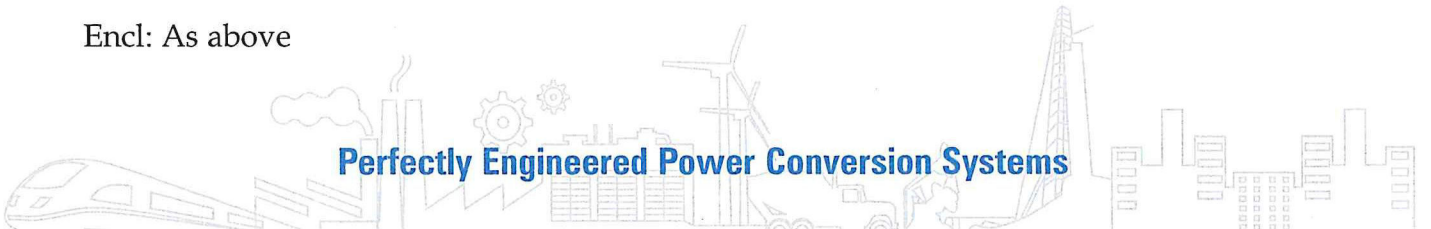
Meenakshi

Meenakshi Anchlia
(Company Secretary & Compliance Officer)



Encl: As above

Perfectly Engineered Power Conversion Systems



Rating Rationale

November 25, 2022 | Mumbai

Hind Rectifiers Limited

Rating outlook revised to 'Stable'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.132 Crore
Long Term Rating	CRISIL BBB-/Stable (Outlook revised from 'Positive'; Rating 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 revised its outlook on the long-term bank facilities of Hind Rectifiers Limited (HRL) to 'Stable' from 'Positive' while reaffirming the rating at 'CRISIL BBB-'; the short-term rating has been reaffirmed at 'CRISIL A3'.

The revision in the outlook reflects deterioration of the business profile of the company in H1 of fiscal 2023. The company reported revenues of Rs. 150 crore and operating loss in H1 of fiscal 2023. This was due to significant increase in prices of the raw material and execution of existing contracts at lower prices. Improvement of the operating margins over the next quarter would remain a key monitorable. Rating is supported by comfortable financial risk profile and adequate liquidity with cushion in bank limits to meet repayments.

The ratings continue to reflect the extensive experience of the promoters of HRL in the power electronic equipment industry, strong order book providing revenue visibility, comfortable financial risk profile. These strengths are partially offset by end-user industry concentration in revenue and tender-based operations volatile operating margins and large working capital requirements.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of the promoters:** Benefits from the promoter experience of over five decades, 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 Indian Railways and Bharat Heavy Electricals Ltd. This can be reflected in increase in revenues to Rs. 372.5 crore in fiscal 2022 from Rs. 305 crore in fiscal 2021.
- Strong order pipeline:** Orders of more than Rs 390 crore, to be executed in the next 18 months, provide near-term revenue visibility and will help sustain revenue. The steady order flow is driven by continuous development of new products and addition of customers.
- Healthy financial risk profile:** Networth is estimated to be large at Rs 81.8 crore as on September 30, 2022. Total outside liabilities to adjusted networth ratio moderate at 1.5 times, as on March 31, 2022, due to better networth and stable debt levels. Capital structure is expected to improve further over the medium term with steady accretion to reserves. Debt protection metrics were comfortable, with interest coverage and net cash accrual to adjusted debt ratios of around 3.1 times and 0.16 time, respectively, for fiscal 2022. The metrics are expected to deteriorate in FY23 due to decline in operating margins and would remain a key monitorable over the medium term.

Weaknesses:

- Industry concentration in revenue and tender based operations:** The Railways account for 70-80% of revenue, which exposes growth in HRL's revenue and profitability to the prospects of this industry. Any slowdown in industry or stretch in receivables may impinge upon the performance of the company. Further, since majority of the revenue is tender-based, income and profitability depend on the ability of the company to bid successfully for contracts floated by the Railways and other government agencies. The revenues are expected to decline in fiscal 2023, with H1 fiscal 2023 revenues of Rs. 150 crore. Growth in revenues would remain a key monitorable over the medium term.
- Volatile operating margins:** Operating margins have remained volatile in the range of 6-8% for the past few fiscals (except in fiscal 2020 when the company received a one-time high-margin order). This is due to varied product mix as well as volatility in

raw material which includes oil, copper, semiconductors and various other electrical components. However, the margins have been significantly impacted in H1 FY23 with operating loss due to significant increase in raw material prices and execution of contracts at lower rates. Improvement in operating margins would remain a key monitorable over the medium term.

- **Large working capital cycle:** Working capital intensity is reflected in gross current assets (GCAs) of 160-200 days for past four fiscals through fiscal 2022. This is driven by high debtors of 65-110 days and inventory of 80-105 days over the past four fiscals. Debtors have remained high due to high credit period provided to customers while the company has to maintain high inventory to meet customer requirement on time, Working capital cycle is expected to remain large over the medium term. .

Liquidity: Stretched

Cash accrual, expected at Rs 3.5 crore in FY23 and are expected to improve to Rs. 9.5-10 crore in FY24. It is expected to remain insufficient against repayment obligation of Rs. 7.5-8 crore annually over the medium term. Bank limit was utilised at an average of 59% over the 12 months through February 2022. Cash and bank balance stood at Rs 1.4 crore as on March 31, 2022, while current ratio was 1.47 times. Internal cash accrual, unutilised bank limit, and cash and bank balance are likely to be sufficient to meet incremental working capital requirement and debt repayment over the medium term.

Outlook: Stable

CRISIL Ratings believes HRL's business profile will be supported through extensive experience of the promoters and healthy order book

Rating Sensitivity Factors

Upward factors:

- Increase in revenue and improvement in operating margins to 6.5% leading to higher cash accruals
- Sustained working capital cycle strengthening financial risk profile

Downward factors:

- Decline in revenue on account of delays in order execution or further fall in operating margin impacting the liquidity position of the company
- Stretch in working capital cycle (GCAs above 200 days) weakening financial risk profile

About the Company

Incorporated in April 1958, HRL was promoted by the late Mr S K Nevatia and is currently managed by Mr Saurabh Nevatia and Mr Suramyia 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	YTD Sept 2022	2022	2020
Revenue	Rs crore	150.28	372.10	305.10
PAT	Rs crore	(6.33)	7.80	5.33
PAT margin	%	(4.2)	2.10	1.75
Adjusted debt/adjusted networkth	Times	-	0.83	1.01
Interest coverage	Times	-	3.12	2.20

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.crisil.com/complexity-levels. 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 levels	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	27	NA	CRISIL A3
NA	Cash Credit	NA	NA	NA	83.5	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	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	105.0	CRISIL BBB-/Stable	30-05-22	CRISIL BBB-/Positive	28-05-21	CRISIL BBB-/Stable	10-02-20	CRISIL BBB-/Positive	08-07-19	CRISIL BBB-/Stable	CRISIL BB+/Stable
			–	19-05-22	CRISIL BBB-/Positive		–	05-02-20	CRISIL BBB-/Positive		–	–
Non-Fund Based Facilities	ST	27.0	CRISIL A3	30-05-22	CRISIL A3	28-05-21	CRISIL A3	10-02-20	CRISIL A3	08-07-19	CRISIL A3	CRISIL A4+
			–	19-05-22	CRISIL A3		–	05-02-20	CRISIL A3		–	–

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

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

This Annexure has been updated on 25-Nov-2022 in line with the lender-wise facility details as on 06-May-2022 received from the rated entity

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
Understanding CRISILs Ratings and Rating Scales
CRISILs Bank Loan Ratings
Rating Criteria for Engineering Sector
Understanding CRISILs Ratings and Rating Scales

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