



**Press Release**  
**HAMON COOLING SYSTEMS PRIVATE LIMITED**  
**February 13, 2025**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A3   Assigned
Bank Loan Ratings	73.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	110.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating to '**ACUITE BBB**'-(read as **ACUITE Triple B minus**)and the short term rating to '**ACUITE A3**' (read as **ACUITE A Three**) on Rs. 85.00 crore bank facilities of Hamon Cooling Systems Private Limited (HCSPL). The outlook is '**Stable**'.

Further, Acuite has also assigned its short-term rating to '**ACUITE A3**' (read as **ACUITE A Three**)on the Rs. 25.00 crore bank facilities of Hamon Cooling Systems Private Limited (HCSPL).

**Rationale for rating**

The rating reaffirmation considers the established track record of the company over the last two decades along with long standing experience of the management in the industry. The rating is further supported by a healthy order book of Rs 384 crore (as on October 31, 2024) and onset of spare part business giving sound revenue visibility and steady margins over medium term along with moderate financial risk profile. However, these strengths are partly offset by the intensive working capital operations of company as marked by higher gross current asset (GCA) days constituting of high debtors and other current assets. Further, it also factors in the risk faced by the company from strong competition and industry specific revenue concentration.

**About the Company**

HCSPL was originally incorporated as an Indian subsidiary of Hamon & Cie (International), part of Belgium based Hamon Group. Later in April 2022, Hamon and Cie (International) filed for bankruptcy, which eventually led to acquisition of HCSPL by Mr. Akhileshwar Gangadeen Chorasiya in October 2022.

HCSPL carries out design, manufacture, construction and commissioning of different types of cooling towers and systems. It offers a wide range of wet cooling towers, including large natural draft concrete cooling towers, FRP package towers and large mechanical draft cooling towers made from concrete, wood or FRP-pultrusion. It also provides forced draft towers along with spares and maintenance of cooling towers. The manufacturing facility of company is situated at Umbergaon, Gujarat. The current directors of the company are Mr. Akhileshwar Gangadeen

Chorasiya. and Mrs. Nootan Akhileshwar Chorasiya.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of HCSPL to arrive at the rating

### **Key Rating Drivers**

## Strengths

### Established track record with professional and experienced management

HCSPL has an established track record of operations of more than two decades in the cooling tower manufacturing industry. Further, before acquisition of HCSPL, the promoter of the company Mr. Akhileshwar Chorasaya was also engaged into the business of cooling towers from past ten years through one of his other companies Cleanflow Cooling Tower Solutions Private Limited and was associated with HCSPL as a sub-contractor over the years. Over the years company has established a strong position in this industry leading to gain a sizeable market share with a healthy order book from reputed oil & gas and power players like Numaligarh Refinery, IOCL, Adani, etc. Acuite believes that HCSPL will continue to benefit from its established track record of operations and experienced management in near to medium term.

### Significant increase in operating income albeit decrease in operating profits

The company reported a 67 percent year-on-year increase in its operating income, reaching Rs. 217.88 crores in FY24, compared to Rs. 130.5 crores in FY23, driven by improved and timely order execution. However, the operating margins of the company marked a dip in FY24 to 0.83 percent in FY24 as against 3.41 percent in FY23. The reasons for the decline in margins were due to increase in contract expenses without revenue realizations on legacy projects of former promoter. Further, with a strong order book of ~Rs 384 crores (as on October 31, 2024) and growth in the spare business, the EBITDA margins of the company are expected to remain around 3-4 percent over the medium term.

Further, the PAT margins for the company were marked high at 7.4 percent in FY24 on account of a non-cash exceptional item of Rs.16.19 crores pertaining to write off of advances from customers. As of December 31, 2024 company has already booked ~Rs.198 crores in revenue (~Rs 12 crores from spare sales) at an EBITDA margin of 3.07%.

Acuite believes that the continuous focus of company towards attaining new contracts and timely execution of existing orders coupled with complete resolution of legacy issues shall help the company to improve their operating performance.

### Moderate financial risk profile

The financial risk profile of the company remained moderate marked by a moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 54.09 crores as on March 31, 2024 as against Rs. 38.06 crores as on March 31, 2023. The increase in net worth is primarily due accretion in reserves on account of the exceptional income. This led to decrease in the gearing of the company to 0.40 times as on March 31, 2024 as against 0.48 times as on March 31, 2023. The company holds short term borrowings only for working capital purposes, therefore, the debt protection metrics remained healthy with debt service coverage ratio and interest coverage ratio both standing at 1.36 times as on March 31, 2024.

Acuite expects the financial risk profile to remain moderate on account of steady cash accruals with no debt-funded capex plans.

## Weaknesses

### Intensive working capital operations

The working capital operations of the company remains intensive marked by GCA days of 186 days in FY24 as against 226 days in FY23. This is majorly attributable to the high debtor and other current assets which mainly includes retention money ~ 7.5% of contract value. The debtor days stood at 92 days in FY24 as against 88 days in FY23. The debtor receipts are based on milestone completions with a receivable cycle of 30-45 days. Further, the inventory days stood low at 2 days in FY24 as against 1 day in FY23 as the client directly gets the inventory supplied to plant. The creditors days stood at 70 days in FY24 as against 105 days in FY23. As a result, the reliance of working capital limits is low, reflected by average utilizations of around ~26.23 percent in fund-based facility in last 8 months ended November' 2024.

Acuite expects the working capital operations of the company may continue to be intensive on as long as other current assets of the company remains high relative to operating income.

### Risk from strong competition and sector specific revenue

HCSPL faces strong competition from Paharpur Cooling Towers Limited, leading player in the industry which is engaged into manufacturing of both dry as well as wet cooling towers, heat exchanger, dust collectors etc. Further, the revenue of HCSPL is highly concentrated from oil & gas and power sector, therefore, any slowdown in this particular industry may affect the performance of the company.

## Rating Sensitivities

- Improving operating performance supported by healthy order book and increasing margins
- Efficient management of working capital operations.
- Steady cash accruals and no significant debt funded capex affecting the financial and liquidity profile

## Liquidity Position

**Adequate**

The liquidity position of HCSPL is adequate marked with moderate cash accruals and no major repayment obligations for the company. Further, it is expected that company will generate NCA in range of Rs. 6-11 crores over the medium term. The current ratio of the company stood at 1.45 times as on March 31, 2024. The average bank limit utilization in fund based facility for last 8 months ended November 30, 2024 stood low at ~26.23 percent. Further, the company also maintained cash and bank balance of Rs. 10.81 crores as on March 31, 2024. Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals.

**Outlook : Stable****Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	217.88	130.50
PAT	Rs. Cr.	16.13	16.62
PAT Margin	(%)	7.40	12.73
Total Debt/Tangible Net Worth	Times	0.40	0.48
PBDIT/Interest	Times	1.36	43.30

### Key Financials :

The above PAT includes exceptional non cash income of Rs. 16.19 crores in FY24 and Rs. 12.56 crores in FY23.

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Nov 2023	Bank Guarantee (BLR)	Short Term	27.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	48.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.00	Simple	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A3   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A3   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3   Assigned

## Contacts

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### About Acuité Ratings & Research

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