Press Release

HAMON COOLING SYSTEMS PRIVATE LIMITED

March 27, 2025

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	75.00	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	85.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Errata - This press release is for reclassification of a non-cash income in FY23 resulting in change in the company's coverage indicators. Further, it also rectify certain errors which were inadvertently captured in Weakness section. The detailed review of the rating was communicated through press release dated November 20, 2023.

Rating Rationale

Acuité has assigned its long-term rating of **'Acuité BBB-' (read as Acuité triple B minus)** and short-term rating of **'Acuité A3' (read as Acuité A three)** on the Rs. 85.00 Cr. bank facilities of Hamon Cooling Systems Private Limited (HCSPL). The outlook is **'stable'.**

Rationale for rating assigned

The rating assigned considers the established track record of the company over the last two decades along with established experienced of the management in this cooling towers industry. The rating is further supported by above average financial risk profile of the company marked by healthy gearing and strong debt protection metrics with debt-equity being at 0.48 times and DSCR at 43.30 times as on March 31, 2023. Further, the rating also considers the addition of spare parts business which is expected to be margin accretive for the company. However, these strengths are partly offset by company's intensive working capital operations marked by high gross current asset (GCA) days of 226 days in FY23. Further, it also factors in the risk faced by the company from strong competition and industry specific revenue concentration.

About the Company

Hamon Cooling Systems Private Limited (HCSPL) was originally a part of Belgium based Hamon Group. It was incorporated as Indian subsidiary of parent company Hamon & Cie (International). Later in April 2022, Hamon and Cie (International) filed for bankruptcy, which eventually led to the new promoter Mr. Akhileshwar Gangadeen Chorasiya taking charge of Indian subsidiary - HCSPL in October 2022.
HCSPL carries out design, manufacturing, 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 Mr. Akash Ohri.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Hamon Cooling Systems Private Limited 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 dating back more than two decades. Over the years company has established a strong position in this industry leading to gain a sizeable market share in wet cooling tower industry. The new promoter, Mr. Akhileshwar Chorasiya is already engaged into the business of cooling towers from past ten years through one of his group companies named Cleanflow Cooling Tower Solutions Private Limited and was associated with HCSPL as a sub-contractor over the years. HCSPL as on date derives ~80 percent of its revenue from government orders. The order book of the company as of October 2023 stood at around Rs. 461 crores providing a stable revenue visibility over the medium term.
Acuite believes that HCSPL will continue to benefit from its established track record of operations and experienced management in near to medium term.

Above average financial risk profile

The financial risk profile of the company stood above average, marked by moderate net worth, healthy gearing (debt-equity) and strong debt protection metrics. The tangible net worth stood at Rs.38.06 crores as on March 31, 2023 as against Rs.21.55 crores as on March 31, 2022. The increase in net worth was led by exceptional income of Rs. 12.56 crores pertaining to write off of trades payable and receivables related to group companies of previous promoter. The total debt of the company stood at Rs.18.12 crores which includes short-term debt of Rs.9.78 crores in form of cash credit and unsecured loans of Rs.8.34 crores as on March 31, 2023. The company follows a conservative financial risk policy reflected through its peak gearing of 0.48 times as on March 31, 2023 as compared to 0.01 times as on March 31, 2022. The Total outside Liabilities/Total Net Worth stood at 2.07 times as on March 31, 2023 as against 3.4 times as on March 31, 2022. Further, the DSCR and interest coverage ratio stood at 43.30 times for FY23 as against 4.12 times for FY22. Further, net cash cccruals to total debt (NCA/TD) stood at 1.03 times for FY23 as against 28.28 times for FY22.
Acuite expects the financial risk profile of the company may continue to remain above average on account of steady cash accruals with no debt-funded capex plans.

Changing revenue mix leading to higher operating margins

From the current financial year, HCSPL has entered into the sale of spare parts business wherein the company would be selling different spare parts related to cooling systems such as cooling fans, FRP fan stacks, various in fills such as non clog film type fill, high efficiency film type fill etc. This new vertical is expected to be margin accretive for the business which shall lead to significant jump in operating and profitability margins for the company. Along with it, the payment terms related to this new vertical are comfortable as around 45 percent of the order value is being paid in advance to them.
Acuite believes that increasing revenue mix from this new spare part business is likely to be positive for the company.

Weaknesses

Intensive working capital management

The working capital management of the company is intensive marked by GCA days of 226 days in FY23 as against 181 days in FY22. The high GCA days are on account of higher other current assets of the company. The company-maintained inventory levels of around 1 day in FY23 as against 2 days for FY22. Inventory days are marked lower as the client directly gets the inventory supplied to plant. Subsequently, the debtor's collection period stood at 88 days in FY23 as against 84 days in FY22. Furthermore, the creditor days stood at 105 days in FY23 as against 158 days in FY22. As a result, the reliance of working capital limits is moderate, reflected by average utilizations of around ~85 percent in last 8 months ended October' 2023.
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 stronger competition and sector specific revenue

HCSPL faces strong competition from experienced players in the industry. Further, the revenue of HCPSL 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

- Significant increase in order book and execution capabilities, leading to improvement in financial and business risk profile of the company.
- Improvement in working capital operations.
- Timely execution of the contracts leading to long relation with the clients.

All Covenants

None

Liquidity Position

Adequate

The liquidity position of HCSPL is adequate with moderate cash accruals and no major repayment obligations for the company. In addition, it is expected to generate sufficient cash accrual in the range of Rs.8.54 – 10.3 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 226 days in FY23 as against 181 days in FY22. The reliance of working capital limits is moderate reflected by average utilizations of around ~85 percent in last 8 months ended October' 2023. The company maintained unencumbered cash and bank balances of Rs.9.89 crore as on March 31, 2023. The current ratio stood at 1.19 times as on March 31, 2023 as against 0.91 times as on March 31, 2022.
Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on HCSPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by HCSPL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	130.50	121.4
PAT	Rs. Cr.	16.62	2.57
PAT Margin	(%)	12.73	2.11
Total Debt/Tangible Net Worth	Times	0.48	0.01
PBDIT/Interest	Times	43.30	4.12

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

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.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. Acuite'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.

Rating History :
Not Applicable

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 | Assigned
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 | Assigned
Bank of Baroda	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.00	Simple	ACUITE A3 | Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations Parth Patel Lead Analyst-Rating Operations	**Contact details exclusively for investors and lenders** Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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