

March 31, 2026

HI-Q Electronics (P) Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loan	48.75	92.75	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Long term – Fund based – Cash credit	16.50	36.50	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Short term non-fund based – Others	13.00	13.00	[ICRA]A2; reaffirmed
Long term/Short term – Unallocated limits	14.00	14.20	[ICRA]BBB+ (Stable)/[ICRA]A2; reaffirmed and assigned for enhanced amount
Total	92.25	156.45	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation continues to reflect HI-Q Electronics (P) Limited's (HI-Q) established presence in niche, high-reliability printed circuit board (PCB) manufacturing, supported by strong technological capabilities, a long operating track record and a reputable aerospace and defence-oriented customer base. High entry barriers arising from capital-intensive processes, stringent certifications and long customer qualification cycles underpin the company's competitive position. These strengths are reflected in its consistently strong profitability, with operating margins (OPM) in the range of 26-30% over FY2023-FY2026E.

HI-Q reported strong revenue growth in FY2025 and FY2026, with operating income (OI) increasing to ~Rs. 136 crore in FY2025 (45.6% YoY) and estimated at Rs. 175 crore for FY2026, driven by healthy execution and ramp-up of enhanced capacities. The OPM remained healthy at 28.6% in FY2025 and is expected to stay in the range of 26-28% in the near term. With the increase in debt levels to support expansion, resulting in a rise in Total debt/OPBDITA to 2.2x by the end of FY2026 (estimated), the coverage metrics are expected to moderate. The debt service coverage ratio (DSCR) is likely to range between 2.5x and 5x during FY2026-FY2027 vs. ~14x in FY2025. ICRA notes that the infusion of ~Rs. 175 crore in the form of compulsory convertible preference shares by ValueQuest in March 2026 has materially strengthened the company's capital structure (tangible net worth (TNW) estimated at Rs. 300 crore by FY2026 end) and is expected to moderate its reliance on incremental debt for the planned expansion. This will support financial flexibility through the capital expenditure (capex) cycle.

Notwithstanding the above, the ratings are constrained by HI-Q's modest scale of operations (despite strong revenue growth) relative to the technologically intensive and capital-heavy nature of the business. Further, the company is undertaking a sizeable, multi-year capex programme (Rs. 44.6 crore in FY2025 and Rs. 310 crore capex expected over FY2026 and FY2027), which entails execution and ramp-up risks and is expected to temporarily moderate its return indicators and coverage metrics. In addition, the business remains working capital intensive, with net working capital intensity/operating income (NWC/OI) at ~37% in FY2025, due to high inventory requirements and a relatively elongated receivables cycle, resulting in sustained dependence on bank lines. Its ability to generate commensurate returns from the capex, with timely stabilisation, remains crucial from a credit perspective.

Against the backdrop of the volatile macroeconomic environment and potential rupee depreciation, HI-Q is exposed to foreign exchange risks given its import dependence for key raw materials. Nevertheless, the company's buoyant exports to defence-oriented overseas customers, (estimated overall export contribution at ~40% of FY2026 revenues) provide a natural hedge, which is expected to partly cushion the impact of currency fluctuations.

The Stable outlook reflects ICRA's expectation that HI-Q will continue to scale up its operations while maintaining credit metrics commensurate with the current ratings, supported by healthy margins, strengthened net worth post equity infusion, and calibrated leverage despite the ongoing expansion.

Key rating drivers and their description

Credit strengths

Established track record of operations in PCB manufacturing – The company has been manufacturing PCBs since its inception in 1978, beginning operations by producing prototype PCBs for research and development (R&D) purposes by information technology (IT) players. Later, it began manufacturing complex multi-layered PCBs that are used by entities in the defence/aerospace, telecommunications and medical equipment sectors. Such orders have low raw material components, need faster turnaround times and are technologically more sophisticated, thereby enabling it to fetch relatively better margins over the industry average.

Reputed customer profile and favourable demand outlook – Over the years, the company has built relationships with reputable players in the IT, aerospace, and defence sectors. HI-Q's customer base continues to be moderately diversified with more than 200 customers and consists of many original equipment manufacturers (OEMs) and subcontractors for OEMs (engaged in assembly). Established relationships have helped the company get repeat orders, supporting stability in revenues and earnings. The demand outlook remains favourable, aided by HI-Q's strong positioning as a key supplier to the defence and aerospace sectors and its expanding export presence. Rising overseas traction, particularly amid heightened defence spending linked to the recent West Asia geopolitical tensions, has further strengthened order inflow and demand visibility.

Large investments in technology provide competitive advantage; capital-intensive operations act as entry barrier – The company continues to focus on high-margin complex PCBs to meet the needs of clients in the defence/aerospace and IT sectors. It is capable of manufacturing up to 42-layer PCBs and its board technologies include multi-layered rigid PCBs, flexible and HDI PCBs. As a result, HI-Q has to undertake continuous capex for the acquisition and upgradation of technology and capacity, which acts as an entry barrier for new entrants.

Credit challenges

Modest scale of operations with highly working capital intensive nature of operations – Despite being in operations for over four decades, the company has a modest scale, as reflected in its OI of Rs. 136 crore in FY2025 and the estimated OI of Rs. 175 crore for FY2026, due to the niche nature of its business. Moreover, its operations are highly working capital intensive in nature (NWC/OI of 37% in FY2025; ranging at 35-45% over the last five years) on account of high inventory holding days of 145-185 (resulting from the longer lead times associated with foreign suppliers, minimum quantity order requirement for most raw material, and to enable quicker turnaround times) and long receivables periods for select public sector undertakings and key customers. HI-Q's ability to effectively manage its working capital cycle, including timely enhancement of working capital limits, along with the expected scale-up in operations, will be crucial from a credit perspective.

Sizeable debt-funded capex plans to moderate leverage and coverage metrics – To meet the growing business demand, the company is undertaking a sizeable multi-year capex programme estimated at Rs. 310 crore over FY2026 and FY2027 at its existing plant. This entails execution and ramp-up risks and is expected to temporarily moderate the return indicators and coverage metrics. Funding will be supported by the recent fund infusion by ValueQuest in March 2026. HI-Q also secured an additional sanction of a term loan worth Rs. 22.5 crore in FY2026 (Rs. 48.75 crore in FY2025) to fund its capex needs. The operations are expected to ramp up gradually starting December 2026.

Exposure to foreign currency risks due to significant proportion of imports – The company imports a substantial portion of its raw materials, which exposes it to forex risk. However, the risk is partly mitigated by the natural hedge arising from its exports. In FY2025, raw material imports accounted for 71% of the total purchases while exports accounted for ~35% of the OI.

Liquidity position: Adequate

HI-Q's liquidity position is expected to remain adequate, supported by positive operating cash flows and the Rs. 175-crore infusion earmarked for its expansion programme. The utilisation of fund-based limits averaged 85% over the 12-month period ended February 2026, with an available buffer of Rs. 4.6 crore. The company is undertaking a sizeable capex programme of ~Rs. 170 crore in FY2027, likely to be followed by additional capex in FY2028, for which the recent equity raise provides meaningful financial flexibility. Also, ICRA expects HI-Q's internal accruals to remain sufficient to meet its debt-servicing obligations (Rs. 8-17 crore over FY2027 and FY2028), notwithstanding the elevated capex outlay.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates significant and sustained revenue growth while maintaining healthy operating margins, leading to an improvement in its coverage metrics and liquidity position on a continued basis.

Negative factors – Pressure on HI-Q's ratings could arise if there is a material decline in earnings or higher-than-expected debt-funded capex or deterioration in working capital intensity, leading to material weakening in the debt protection metrics and liquidity on a sustained basis. A specific credit metric that might trigger a rating downgrade would be a DSCR less than 2.0x on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

HI-Q Electronics Private Limited, founded as a partnership firm in 1978 by the Late Dr. S. Venkatachalam, was converted into a private limited company in 1983. It initially manufactured prototypes/small quantities of complex PCBs that are mainly used by IT hardware companies for their R&D projects. The company later forayed into manufacturing complex multi-layer PCBs with specific design and testing requirements for players in the defence and aerospace sectors. HI-Q's manufacturing facility at Hosur, Tamil Nadu, has technological capabilities, enabling it to produce highly complex PCBs in a short span of time.

Key financial indicators (audited)

HI-Q Electronics	FY2024	FY2025	9M FY2026*
Operating income	93.4	135.9	124.3
PAT	24.5	21.7	20.4
OPBDIT/OI	29.5%	28.6%	28.8%
PAT/OI	26.2%	16.0%	16.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.6	-
Total debt/OPBDIT (times)	0.3	1.0	-
Interest coverage (times)	59.0	19.1	8.04

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Term loan	Long term	92.75	Mar 31, 2026	[ICRA]BBB+ (Stable)	May 28, 2024	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	-	-	Feb 23, 2023	[ICRA]BBB+ (Stable)	
					Dec 18, 2024	[ICRA]BBB+ (Stable)	-	-	-	-	
Cash credit	Long term	36.50	Mar 31, 2026	[ICRA]BBB+ (Stable)	May 28, 2024	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	-	-	Feb 23, 2023	[ICRA]BBB+ (Stable)	
					Dec 18, 2024	[ICRA]BBB+ (Stable)	-	-	-	-	
Non-fund based working capital	Short term	13.00	Mar 31, 2026	[ICRA]A2	May 28, 2024	[ICRA]A2; ISSUER NOT COOPERATING	-	-	Feb 23, 2023	[ICRA]A2	
					Dec 18, 2024	[ICRA]A2	-	-	-	-	
Unallocated limits	Long term/Short term	14.20	Mar 31, 2026	[ICRA]BBB+ (Stable)/ [ICRA]A2	May 28, 2024	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING/ [ICRA]A2; ISSUER NOT COOPERATING	-	-	Feb 23, 2023	[ICRA]BBB+ (Stable)/ [ICRA]A2	
					Dec 18, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Term loan	Simple
Long term – Fund based – Cash credit	Simple
Short-term non-fund based working capital	Simple
Long term/Short term – Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund based – Term loan	NA	NA	FY2031/ FY2032	92.75	[ICRA]BBB+ (Stable)
NA	Long term – Fund based – Cash credit	NA	NA	NA	36.50	[ICRA]BBB+ (Stable)
NA	Short term non-fund based	NA	NA	NA	13.00	[ICRA]A2
NA	Long term/Short term – Unallocated limits	NA	NA	NA	14.20	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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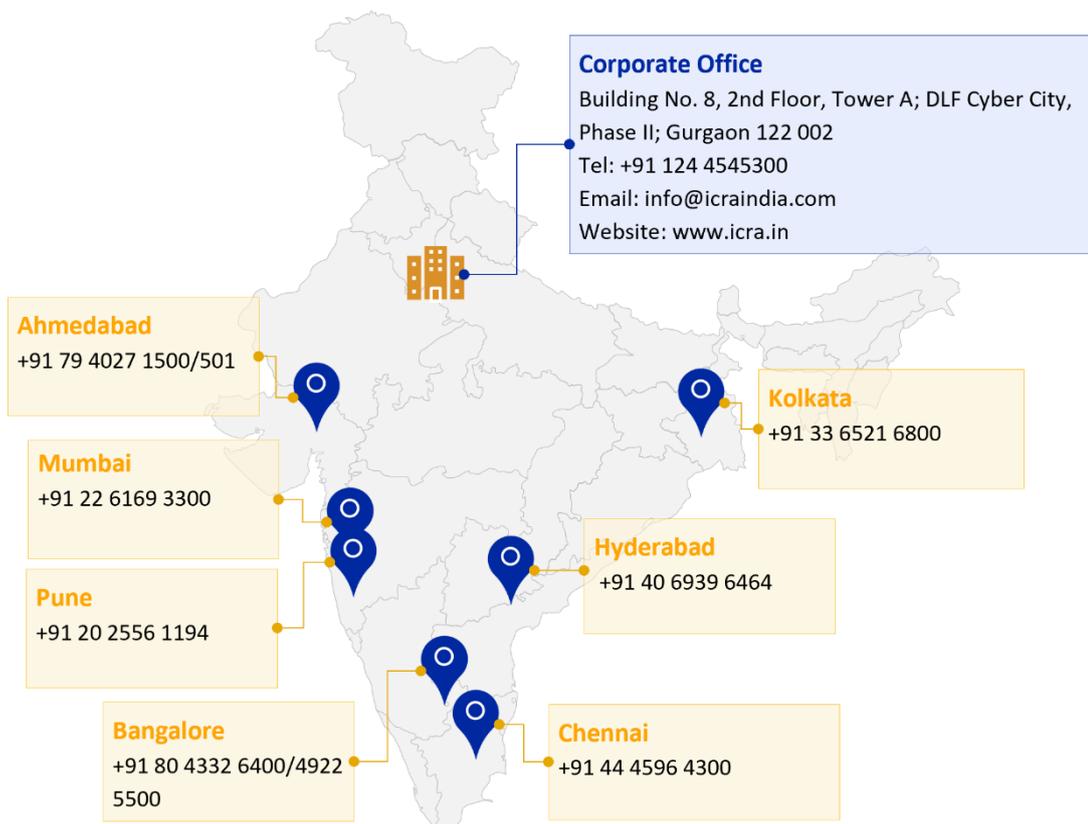
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