

January 07, 2020 <sup>Revised</sup>

## Cooldeck Industries Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based - Cash Credit	7.00	7.00	[ICRA]B+(Stable); Reaffirmed
Long-term Non-fund Based - Bank Guarantee	1.50	1.50	[ICRA]B+(Stable); Reaffirmed
Short-term Non-fund Based - Letter of Credit	3.00	3.00	[ICRA]A4; Reaffirmed
Unallocated	3.90	3.90	[ICRA]B+(Stable)/[ICRA]A4; Reaffirmed
<b>Total</b>	<b>15.40</b>	<b>15.40</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation takes into account the company's weak financial profile as reflected by its moderate scale of operations, leveraged capital structure and weak debt coverage indicators. The ratings also consider the high working capital intensity of the company's operations due to higher receivables, impacting its liquidity position. Consequently, the reliance on working capital borrowings has remained high as evident from a gearing of 2.94 times as on March 31, 2019. Further, intense competition in the plastic industry also keeps its profitability under pressure.

The ratings, however, favourably factor in the extensive experience of the promoters of Cooldeck Industries Private Limited (CIPL) spanning over two decades in the manufacturing of plastic components for cooling tower, water treatment plants and building products. The rating also considers CIPL's diversified and reputed customer base, which includes government organisations and private players.

The Stable outlook on the [ICRA]B+ rating reflects ICRA's opinion that CIPL will continue to benefit from the extensive experience of its partners in the plastic industry and its established relationship with reputed customers.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoter for over two decades** - The company's key promoter, Mr. Harsh Bhargava, handles CIPL's daily operations. He has more than two decades of experience in manufacturing plastic components for cooling towers and water/wastewater treatment plants.

**Diversified and reputed customer base** - CIPL has an established customer base, primarily in the cooling tower segment, accounting for 50-60% of its total annual sales. The company enjoys established relationships with most of its customers, with several repeat orders being garnered from them. Its customer base is diversified with its top five customers accounting for 22% of the total sales in FY2019. However, it increased to 44% in H1 FY2020.

## Credit challenges

**Weak financial profile characterised by small scale of operations, leveraged capital structure and weak debt coverage indicators** – CIPL has been operating on a small scale and its turnover has remained stagnant at ~Rs. 44 crore during the past two fiscals. The company’s net profit margin increased to 1.82% in FY2019 from 0.70% in FY2018, due to decrease in interest cost and receipt of MAT credit entitlement. The company had infused Rs. 1.10 crore equity in FY2019, resulting in improved gearing of 2.94 times as on March 31, 2019 as against 4.52 times as on March 31, 2018. However, the same remained leveraged at the absolute level. CIPL’s debt coverage indicators improved marginally with interest coverage of 1.84 times, NCA/TD of 12% and TD/OPBITDA of 3.85 times as on March 31, 2019 owing to increased profitability.

**High working capital intensity of operations due to longer receivables cycle impacting liquidity** - The company’s working capital intensity of operations have usually tended to remain on the higher side due to high receivables as the debtor days reduced marginally to 102 days as on March 31, 2019 as compared to 110 days as on the previous fiscal-end and the same increased further to 108 days as on September 30, 2019 on the back of higher orders executed in the last quarter and increased credit period extended. To support and fund the increased debtor days, the creditor days also increased and stood high at 127 days as on September 30, 2019. The inventory levels have remained moderate at 45 days as on March 31, 2019 and 35 days as on March 31, 2018.

**Intense competition in the plastic industry** - CIPL, a small-sized player in the plastic industry, faces intense competition from large organised as well as small unorganised players across the domestic market.

## Liquidity position: Stretched

The company's liquidity position has remained stretched on account of elongated receivables cycle and modest cash accruals. The company’s term loan repayments for the next three years stood at Rs. 0.46 crore in FY2020, Rs. 0.56 crore in FY2021 and FY2022, respectively, including repayment of proposed term loan of Rs. 1.00 crore. The company had a liquid cash and bank balance of Rs. 0.73 crore as on March 31, 2019. The monthly utilisation of the fund-based working capital limits averaged at 96% of sanctioned limits during the 15-month period ended October 2019, leaving no cushion to the liquidity position. moderate compared to its internal accruals, supporting its liquidity.

## Rating sensitivities

**Positive triggers** – ICRA could upgrade CIPL’s rating if the company demonstrates a sustained improvement in its scale of operations and profit margins. Improvement in liquidity profile by efficiently managing its working capital cycle will also remain critical for a rating upgrade.

**Negative triggers** – Negative pressure on CIPL’s rating could arise if there is deterioration in the capital structure or coverage indicators. Moreover, any strain on the liquidity profile due to an increase in working capital gap could also exert downward pressure on the rating.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Rating is based on standalone financial statements of the issuer

## About the company:

Cooldeck Industries Private Limited, formerly known as Cooldeck Aqua Solutions Private Limited, manufactures plastic components, primarily for cooling towers and water/wastewater treatment plants. It was established as a proprietorship concern in 1994 and was converted into a private limited concern in 2005. It has a manufacturing plant in the union territory of Daman, Bhiwandi (Maharashtra) and Delhi. Since its inception, CIPL has been focused on manufacturing and sales of plastic components for cooling tower equipment (largely for power sector), which includes fills, drift eliminators, fan assemblies, nozzles and spacers among others. These products have been driving over 50-60% of the revenues of the company.

The firm reported a net profit of Rs. 0.81 crore on an operating income (OI) of Rs. 44.58 crore in FY2019, compared to a net profit of Rs. 0.31 crore on an OI of Rs. 44.22 crore in the previous year.

## Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	44.22	44.58
PAT (Rs. crore)	0.31	0.81
OPBDIT/OI (%)	8.84%	8.85%
RoCE (%)	15.12%	14.44%
Total Outside Liabilities/Tangible Net Worth (times)	8.16	4.97
Total Debt/OPBDIT (times)	3.76	3.85
Interest Coverage (times)	1.62	1.84
DSCR (times)	0.99	1.54

Source: CIPL

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for last three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 years			
		Type	Amount Rated	Amount Outstanding	Rating	Rating	FY2019	FY2018	FY2017
					07-January 2020	16-April 2019	23-April 2018	-	24-November 2016
1	Fund-based - Cash Credit	Long Term	7.00	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	[ICRA]B+
2	Non-fund-based - Bank Guarantee	Long Term	1.50	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	[ICRA]B+
3	Non-fund-based - Letter of Credit	Short Term	3.00	-	[ICRA]A4	[ICRA]A4	[ICRA]A4	-	[ICRA]A4
4	Unallocated	Long / Short Term	3.90	-	[ICRA]B+ (Stable)/ [ICRA]A4	[ICRA]B+ (Stable)/ [ICRA]A4	[ICRA]B+ (Stable)/ [ICRA]A4	-	-

Amount in Rs. crore

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based - Cash Credit	NA	NA	NA	7.00	[ICRA]B+(Stable)
NA	Long-term Non-fund Based - Bank Guarantee	NA	NA	NA	1.50	[ICRA]B+(Stable)
NA	Short-term Non-fund Based - Letter of Credit	NA	NA	NA	3.00	[ICRA]A4
NA	Unallocated	NA	NA	NA	3.90	[ICRA]B+(Stable)/ [ICRA]A4

Source: CIPL

### Annexure-2: List of entities considered for consolidated analysis – NA

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## Corrigendum

Document dated January 07, 2020 has been corrected with revision as detailed below:

Revision in Key Financial Indicators (audited) table – Updated RoCE (%).

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