

January 31, 2022

## 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	7.0	8.0	[ICRA]B+(Stable); reaffirmed
Long-term Fund-based –Working Capital Term loan	-	1.4	[ICRA]B+(Stable); reaffirmed
Long-term Non-fund Based	1.5	4.0	[ICRA]B+(Stable); reaffirmed
Short-term Non-fund Based	3.0	2.0	[ICRA]A4;reaffirmed
Long-term/ Short-term – Unallocated	3.9	-	-
<b>Total</b>	<b>15.4</b>	<b>15.4</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation of the ratings takes into account the extensive experience of Cooldeck Industries Private Limited’s (CIPL or the company) promoters in manufacturing plastic components for cooling towers, water treatment plants and building products. The ratings also factor in CIPL’s reputed customer base, which includes Government organisations and private players.

The ratings, however, are constrained by CIPL’s weak financial profile characterised by its small scale of operations, leveraged capital structure and weak debt coverage indicators. The ratings also consider the high working capital intensity of operations due to higher receivables and inventories, impacting its liquidity position. Consequently, the reliance on working capital borrowings has remained high evident from the high average utilisation of fund-based working capital limits of 93% over the last 12 months ended December 2021. Further, intense competition in the plastic industry keeps profitability under pressure as the company is unable to command a premium price for its products.

The Stable outlook on the [ICRA]B+ rating reflects ICRA’s opinion that CIPL will continue to benefit from its established relationship with reputed customers resulting in repeat orders.

### Key rating drivers and their description

#### Credit strengths

**Experience of promoters for over two decades** – The company is promoted by Mr. Harsh Bhargava, who 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.

**Established relationship with customers** – CIPL has an established customer base, primarily in the cooling tower segment. This also helps the company bag repeat orders from them. The company’s customer base is well diversified with its top five customers contributing around 27% and 33% to its total revenues in FY2021 and 8M FY2022, respectively.

#### Credit challenges

**Weak financial profile characterised by small scale of operations, leveraged capital structure and weak debt coverage indicators** – The company’s scale of operations of the company has remained small in the range of Rs. 35.0-45.0 crore over the last five years. The operating income declined to Rs. 37.2 crore in FY2021 from Rs. 42.6 crore in FY2020 due to loss of sales

resulting from the restrictions of the Covid-19 pandemic in Q1 FY2021. It also registered a net loss of Rs. 1.6 crore in FY2021 due to a sharp rise in raw material prices and the associated lag in passing on the same to the customers. Hence, a timely pass-through of the fluctuations in raw material prices to customers remains the key for CIPL's performance.

The net loss also reduced the net worth, deteriorating the gearing to 5.1 times as on March 31, 2021 from 3.0 times as on March 31, 2020. CIPL's debt coverage indicators also remain weak with interest coverage of 0.8 time and total debt/OPBDITA of 12.1 times in FY2021.

**High working capital intensity due to longer receivables impacting liquidity** –The company's working capital intensity of operations is usually high due to the high receivables as the debtor days increased to 95 days as on March 31, 2021 compared with 76 days in the previous fiscal on the back of higher orders executed in the last quarter. To support and fund the increased debtor days, the creditor days have also increased and was high at 104 days as on March 31, 2021. The inventory levels have remained moderate at 61 days as on March 31, 2021.

**Intense competition in plastic industry** – CIPL, a small-sized player in the plastic industry, faces stiff 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 higher inventory along with low cash accruals. The company's term loan repayments for the next three years stand at Rs. 0.9 crore, Rs. 1.1 crore and Rs. 0.9 crore, respectively, in FY2022, FY2023 and in FY2024. The company had a cash and bank balance of Rs. 0.8 crore as on March 31, 2021. The monthly utilisation of the fund-based working capital limits averaged at 93% of the sanctioned limits during the 12-month period ended December 2021, leaving very limited cushion for the liquidity position.

## Rating sensitivities

**Positive factors** – ICRA could upgrade CIPL's ratings if the company demonstrates a sustained improvement in its scale of operations and profit margins. An improvement in the liquidity profile will also remain critical for a rating upgrade.

**Negative factors** – Negative pressure on CIPL's ratings could arise if there is any sustained deterioration in the company's profitability or capital structure. Moreover, any strain on the liquidity profile due to an increase in working capital intensity could exert downward pressure on the ratings.

## 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 the 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 company reported a net loss of Rs. 1.6 crore on an operating income (OI) of Rs. 37.2 crore in FY2021 compared with a net loss of Rs. 0.2 crore on an OI of Rs. 42.6 crore in FY2020. The company has generated an OI of ~Rs. 31.6 crore during 8M FY2022 on a provisional basis.

### Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	42.6	37.2
PAT (Rs. crore)	-0.2	-1.6
OPBDIT/OI (%)	7.1%	3.8%
PAT/OI (%)	-0.5%	-4.2%
Total Outside Liabilities/Tangible Net Worth (times)	4.8	7.5
Total Debt/OPBDIT (times)	4.9	12.1
Interest Coverage (times)	1.6	0.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: Amount in Rs. crore; All calculations are as per ICRA Research

Source: Company data, ICRA research

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

### Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating on	Date & Rating in FY2020	Date & Rating in FY2020		Date & Rating in FY2019
					Jan 31, 2022	Jan 29, 2021	Jan 7, 2020	Apr 16, 2019	Apr 23, 2018
1	Fund-based - Cash Credit	Long-term	8.0	-	[ICRA]B+ (Stable)	[ICRA]B+(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)
2	Non-fund based - Bank Guarantee	Long-term	4.0	-	[ICRA]B+ (Stable)	[ICRA]B+(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)
3	Non-fund based - Letter of Credit	Short term	2.0	-	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4
4	Fund-based – Working Capital Term Loan	Long-term	1.4	1.4	[ICRA]B+ (Stable)	[ICRA]B+(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)
5	Unallocated Amount	Long-term/ Short term	-	-	-	[ICRA]B+(Stable) / [ICRA]A4	[ICRA]B+ (Stable) / [ICRA]A4	[ICRA]B+ (Stable) / [ICRA]A4	[ICRA]B+ (Stable) / [ICRA]A4

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based - Cash Credit	Simple
Non-fund based - Bank Guarantee	Very Simple
Non-fund based - Letter of Credit	Very Simple
Fund-based – Working Capital Term Loan	Simple
Unallocated	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 analyzing 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
-	Fund-based - Cash Credit	-	-	-	8.0	[ICRA]B+(Stable)
-	Non-fund based - Bank Guarantee	-	-	-	4.0	[ICRA]B+(Stable)
-	Non-fund based - Letter of Credit	-	-	-	2.0	[ICRA]A4
-	Working Capital Term Loan	Aug 2021	-	July 2024	1.4	[ICRA]B+(Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis – Not applicable

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91 124 4545 304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Prashant Vasisht**  
+91 124 4545 322  
[prashant.vasisht@icraindia.com](mailto:prashant.vasisht@icraindia.com)

**Ankit Jain**  
+91 124-4545865  
[ankit.jain@icraindia.com](mailto:ankit.jain@icraindia.com)

**Sankalpa Mohapatra**  
+91 40 4067 6525  
[sankalpa.mohapatra@icraindia.com](mailto:sankalpa.mohapatra@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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