



Press Release

HYT Engineering Company Private Limited

January 31, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	483.5	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Negative (IVR Triple B with Negative Outlook)	Outlook revised from Negative to Stable	Simple
Short Term Bank Facilities	481.21	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed	Simple
Total	964.71	(Rupees Nine Hundred and Sixty-Four Crore and Seventy-One Lakhs Only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating to the bank facilities of HYT Engineering Company Private Limited (HECPL). The ratings continue to factor in the company's established position and extensive experience of the promoter in the industry, strong order book position providing medium term revenue visibility with proven execution capability, and its role as a customised solutions provider having collaboration with international entities. However, these rating strengths are partially constrained by the continued pressure on working capital due to long receivable days as well as inventory days and leveraged capital structure with moderate coverage indicators.

The revision in the rating outlook from Negative to Stable to the bank facilities of HECPL is due to the improvement in recovery of debtors thereby easing working capital requirements and liquidity. The order book provides stability to operating performance in medium term.

Key Rating Sensitivities:

Upward Factors

- Improvement in the working capital cycle.
- Steady improvement in profitability and debt related matrices.



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Downward Factors

- Sharp changes in leverage.
- Slowdown in order book addition and execution.
- Delays on recovery of trade receivables.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established player with extensive experience of promoter in the industry

HECPL, established in 1977 is promoted by Mr. Bhojraj Hemraj Teli, who currently serves as the Chairman & Managing Director. With over four decades of experience, primarily in providing services to the Indian Railways, his expertise has played a key role in building long-term relationships with clients. HECPL holds a unique position in manufacturing special-purpose lathe machines for the Indian Railways. The company also has a strong history of handling turnkey projects, including developing of infrastructure and maintenance related facilities for coach and shade erections for Indian Railways, Metros, and international clients.

Customized solutions provider having collaborations with international entities

HECPL has successfully undertaken projects by collaborating with international companies of Netherlands, USA and Italy to start a new line of product. In addition to designing and manufacturing machines, HECPL also provides integrated and customised services to its national and international clients along with installation & commissioning and reconditioning & repairing works. The company established partnerships with well-known companies from the USA, Switzerland, and Italy for various initiatives, including setting up a coil spring manufacturing facility in Chennai, a spare parts business in India, and machinery production for an Italian client. Additionally, they collaborated on joint ventures to manufacture machinery required for EPC project setups.

Strong order book position providing medium term revenue visibility with proven execution capability



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The Company had an unexecuted order book of Rs 1539 crore as on December 31, 2024, which is 2.44x FY24 revenue. Thus, the order backlog provides very good revenue visibility over the medium term. HECPL has established concrete relationships with reputed customers in the market which has resulted in repeat orders of sizeable numbers. The company executed multiple orders for Indian Railways and its various departments (which has constituted majority of their customer base – including Central Organisation for Modernisation of Workshops, Workshop Projects Organisation, Northern Railways, Carriage Repair Workshop), GE Diesel Locomotive Pvt Ltd and Integral Coach Factory.

Key Rating Weaknesses

Leveraged capital structure with moderate coverage indicators

The Company has a leveraged capital structure with an overall gearing ratio of 1.77x as on March 31, 2024, though it has improved compared to 1.91x as on March 31, 2023. The coverage indicators were moderate with an ISCR of 1.45x in FY24 (FY23: 1.73x) and a DSCR of 1.22x in FY24 (FY23: 1.09x).

Continued pressure on working capital due to long receivable period & inventory days

The management has stated their revenues in this segment are realised on an 80-20 basis; wherein 80% of the revenues from a particular contract are realised post-delivery of the machinery to the customer (usually within 1-1.5 months of manufacture) and the balance amount is realised after 1 month of installation of the machinery, the final realisation of the 20% of the contract amount takes about 2-3 months. Under Turnkey Projects, the revenues are realised on a 70-20-10 basis, wherein 70% is realised when the machinery is delivered, 20% is realised post installation & proven test and 10% is realised after a final acceptance test certificate of project. The company's average collection period ranged between 100 to 200 days in FY22-24. While receivable days are expected to remain similar in the future due to the industry's nature, they have improved in FY24, primarily due to a higher proportion of retention amounts. Inventory days are also high, reflecting the industry's characteristics, as executing a single project takes a considerable time.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had adequate gross cash accruals of Rs 38.54 Crore in FY24(A). The average cash credit utilisation for the last 12 months ended November 2024 stood at 86% indicating sufficient liquidity cushion. The current ratio is satisfactory at 1.26 times as on 31st March 2024.

About the Company

HYT Engineering Corporation, started as a proprietorship organization with Mr. Bhojraj Teli as proprietor, was converted to a Private Limited Company as HYT Engineering Company Private Limited (HECPL) which was incorporated on June 14, 1989. HECPL started its operations at Chinchwad, Pune, Maharashtra in 1977 with manufacturing of small drilling machines and lathes. Further, since 2011 the company has ventured in EPCs. HECPL manufactures special-purpose lathe machines having its application in Economical Rolling Stock Maintenance. Further, it also undertakes the turnkey projects involving infrastructure and related facilities of coach and shade erections for railways with Indian railways & metros as well as international clients. It also provides maintenance services related to the projects. The company has three verticals in which it is engaged in: Manufacturing of machineries that complement and are used in railway workshops, Turnkey Projects mostly mechanical and electrical in which the company supplies machines on the basis of orders taken and Transfer of Technology model in which they undertake ventures with parties (both domestic and international) in manufacturing machines that are either exported or utilised in in-house activities.

HECPL has two subsidiaries viz. HYT Innovative Project Private Limited Company and SAFOP SPV (Italy based) which are involved in manufacturing of precision tubes and manufacturing of large machine tools respectively.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	578.61	630.42
EBITDA	108.96	115.75
PAT	35.38	34.97
Total Debt	437.38	464.60
Adjusted Tangible Net Worth	229.36	261.92
EBITDA Margin (%)	18.83	18.36
PAT Margin (%)	6.02	5.42
Overall Gearing Ratio (x)	1.91	1.77
Interest Coverage (x)	1.73	1.45

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (December 01, 2023)	Date (August 30, 2022)	Date (June 01, 2021)
1.	Long Term Fund Based Bank Facilities	Long Term	483.5	IVR BBB/ Stable	IVR BBB/ Negative	IVR BBB/ Stable	IVR BBB/ Stable
2.	Short Term Non-Fund Based Bank Facilities	Short Term	481.21	IVR A3+	IVR A3+	IVR A3+	IVR A3+

Analytical Contacts:

Name: Jyotsna Gadgil

Tel: (020) 29913006

Email: jyotsna.gadgil@infomerics.com



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March 2027	146.50	IVR BBB/Stable
Cash Credit	-	-	-	-	337.00	IVR BBB/Stable
Bank Guarantee	-	-	-	-	476.21	IVR A3+
Letter of Credit	-	-	-	-	5.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-HYT-Engineering-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.