

April 09,2025

## Voith Hydro Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-fund based limits	610.0	610.0	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
<b>Total</b>	<b>610.0</b>	<b>610.0</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings of Voith Hydro Private Limited (VHPL) factors in the operational and financial support that VHPL derives from its parent, Voith Hydro Holding GmbH & Co. KG, which has extensive experience in segments like energy, oil and gas, paper, raw materials, and transport and automotive. The ratings consider the track record of financial support from the parent entity in the form of extended credit period, corporate guarantees for the bank facilities of VHPL and access to the cash pool for the Voith entities operating in India.

The ratings favourably factor in VHPL's healthy order book position of Rs. 2,200 crore as on September 30, 2024 (i.e. 2.2 times of FY2024 revenues), providing near-to-medium-term revenue visibility. The company's credit metrics are comfortable with low external debt levels. It funds its working capital requirements through short-term loans availed under the cash pool arrangement with the Group's Indian entities as well as working capital limits from banks, in addition to the advances it receives from its customers.

The ratings, however, remain constrained by the moderate size of operations owing to the relatively slow pace of execution of orders. Further, the operating margins continue to be moderate. VHPL's order book remains exposed to the business prospects of the hydropower segment — greenfield and rehabilitation projects. The ratings continue to be constrained by VHPL's exposure to execution risks inherent in hydropower projects and competition from domestic players as well as global firms with a local presence. VHPL's profitability also remains vulnerable to the adverse fluctuations in foreign exchange rates, though it hedges most of its forex transactions, which mitigates the risk to a great extent.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that VHPL's revenues and accruals will be supported by its healthy order book, leading to expectations of a steady credit profile. Also, the company will continue to benefit from the promoter Group's extensive experience.

### Key rating drivers and their description

#### Credit strengths

**Support from parent** - VHPL belongs to the Voith Group, which is a globally renowned player in the five essential markets of energy, oil and gas, paper, raw materials, and transport and automotive. The parent companies extend financial support in the form of extended credit period, corporate guarantees and access to the cash pool for the Voith entities operating in India. Further, access to the technical expertise of the Voith Group as well as allocation of various global markets like SE Asia and Africa to the company augurs well for VHPL. Additionally, being a part of the Voith Group provides leverage while bidding for fresh orders.

**Healthy order book provides medium-term revenue visibility** - VHPL has expertise in developing, designing, manufacturing, procuring, erecting, installing and maintaining all kinds of hydropower projects of capacities ranging from 1–250 MW and above. Its high technical competence, cost competitiveness, association with a strong Group and an established track record have resulted in a healthy order book of Rs. 2,200 crore at the end of September 2024. The pending order book is expected to be executed in three to four years, offering a healthy revenue visibility for the medium to long term.

**Comfortable capital structure** - VHPL's capital structure remained comfortable with limited external debt and adequate net worth. The debt comprised only short-term loans (availed under the cash pool arrangement with the Group's Indian entities) and working capital facilities. There is no long-term debt on the books of the company.

### Credit challenges

**Relatively moderate size of operations and weak operating margins** - VHPL's revenues improved materially to more than Rs. 850 crore owing to faster execution of orders. The operating margins (while considering the forex gain/losses) moderated to 7.6% in FY2024 from 11.8% in FY2023 as the company had booked Rs. 40-50 crore in the form of revenue against a dispute which went in VHPL's favour in FY2023. The revenue growth, going forward, is likely to remain muted despite a healthy order book owing to the long order duration and the vulnerability to customer approval at various stages. The company has an in-built price variation clause, mainly for project duration of more than three years, which provides comfort against adverse price fluctuations.

**Intense competition** - The company faces intense competition from large-sized incumbent domestic players like BHEL, Andritz Hydro, etc and global players in the hydro energy space, forcing it to bid aggressively for new orders and resulting in thin margins. Further, the working capital intensity remains high at 26%, mainly due to increased retention money on account of delays in the handover and commissioning of domestic projects.

**Exposure to inherent execution risks in the hydro business**- VHPL derived majority of its revenues from the overseas market. This may impact the profitability of the overseas projects in case of adverse movements in forex. Nevertheless, the company hedges most of its exposure in foreign currency.

### Liquidity position: Adequate

VHPL has an adequate liquidity position with cash and bank balances worth ~Rs. 71.1 crore as on March 31, 2024, buoyed by unutilised cash carried under the cash-sweep arrangement for Group companies in India. Though the company normally has high debtor days (inherent in the EPC business), it is supported by high advances from customers and the high credit days extended by its suppliers/sub-contractors. The company expects limited support from the cash pool arrangement and has availed some working capital facilities.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the long-term rating in case of a sustained improvement in the standalone performance of the company, leading to improved credit metrics. A sustained improvement in the credit profile of the foreign parent, Voith GmbH & Co. KGaA, will also support an upgrade.

**Negative factors** – The rating would remain sensitive to the changes in the credit profile of the foreign parent, Voith GmbH & Co. KGaA, and weakening of linkages with the borrower. Further, pressure on the ratings could arise in case of a significant decline in the OI or profitability of VHPL. A stretched working capital cycle, which materially affects VHPL's liquidity, could also weigh on the ratings.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Parent: Voith GmbH & Co. KGaA. The ratings factor in the high likelihood of its ultimate parent company offering financial support to VHPL, also backed by the corporate guarantees extended by the parent for the bank facilities of VHPL
Consolidation/Standalone	The ratings are based on the standalone financial profile of VHPL

## About the company

VHPL designs, manufactures and installs electromechanical equipment comprising turbine generator sets required in the hydropower generation segment. The company also renovates hydropower projects. In FY2010, it set up its only manufacturing facility at Vadodara (Gujarat).

It was incorporated as a wholly-owned subsidiary in July 2002 in India by Voith Hydro Holding GmbH & Co. KG, a German-based hydropower equipment and related services provider. VH Auslandsbeteiligungen GmbH, Germany, owns a 99.9% share in VHPL. Voith Hydro Holding GmbH & Co. KG, Germany, in turn holds 100% share in VH Auslandsbeteiligungen GmbH. Voith GmbH & Co. KGaA (the ultimate parent) again holds a 100% shareholding in Voith Hydro Holding GmbH & Co. KG, Germany.

## Key financial indicators (audited)

	FY2023	FY2024
Operating income	764.3	871.2
PAT	44.6	26.8
OPBDIT/OI	11.8%	7.6%
PAT/OI	5.8%	3.1%
Total outside liabilities/Tangible net worth (times)	6.7	5.6
Total debt/OPBDIT (times)	2.2	2.2
Interest coverage (times)	5.9	3.9

Source: Company, ICRA Research; 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

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs. crore)	April 09, 2025	Date	Rating	Date	Rating	Date	Rating
Long term/ Short term – Others - Non-fund based	Long term/Short term	610.00	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	13-FEB-2024	[ICRA]A-(Stable)/ [ICRA]A2+	06-JAN-2023	[ICRA]A(CE) (Stable)/ [ICRA]A1(CE) rating withdrawn and simultaneously [ICRA]A-(Stable)/ [ICRA]A2+ assigned
				-	-			20-Apr-2022	[ICRA]A(CE) (Stable)/ [ICRA]A1(CE)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund-based limits	Very Simple

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	Non-fund based limits	NA	NA	NA	610.0	[ICRA]A-(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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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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