

Hind Rectifiers Limited

Instrument	Amount (Rs. Crore)	Rating Action October 2016
Fund based limits – Cash Credit	21.50	[ICRA]BB+ / Reaffirmed; Outlook revised from 'Negative' to 'Stable'
Non fund based limits	14.00	[ICRA]A4+ / Reaffirmed

ICRA has re-affirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) for the Rs. 21.50 crore fund based bank facilities and the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) for the Rs. 14.00 crore non fund based bank facilities of Hind Rectifiers Limited (HRL / the company)¹. The outlook on the long-term rating has been revised from 'Negative' to 'Stable'.

The revision in the outlook as well as reaffirmation of the ratings takes into account the growth in order book position in the current fiscal providing good revenue visibility in the near term as well as ICRA's expectation that the company will be able to turn around operations on a full year basis, leveraging on the current order book. The ratings continues to favourably factor in the company's established track record as a manufacturer of power semiconductor devices and power equipments and the pre-qualification status to bid for tenders from various reputed private and public sector entities including railways.

The ratings, however, continue to remain constrained by the net loss reported by the company, characterized by losses in FY2016 as well as Q1FY2017, emanating primarily from a weak order inflow situation during last fiscal thereby limiting sales, hence under absorption of costs. The ratings continue to remain constrained by the stress on liquidity profile, due to stretched receivables position, leading to high fund based utilization, arising from limited bargaining power with the customers, especially Indian Railways. Further, debtors outstanding over six months remained high at ~16% of total receivables as on March 31, 2016; and timely recovery of the same remain crucial. The recent debt funded capex for up gradation, is also likely to further put stress on the coverage indicators of the company.

Going forward, the ability of the company to translate the build up in order-book in sales, so as to scale up its operations and thereby turn around its operations remains critical from the credit perspective. Efficient management of its receivables and timely recovery of the same will also be a key rating sensitivity.

Company Profile

Hind Rectifiers Limited (HRL) was incorporated in the year 1958 and is engaged in designing and manufacturing of power semiconductor devices, power electronic equipments and railway transportation equipments. The company is a Part-I supplier for supplying conventional single phase and three phase power equipments to the Indian Railways and also holds pre-qualification status from various other reputed public sector and private sector undertakings. The company has four manufacturing facilities based in Mumbai, Nashik and Dehradun.

Recent results

The company reported a net loss of Rs. 1.52 crore on an Operating Income (OI) of Rs. 93.93 crore in FY2016 as compared to a net loss of Rs. 3.57 crore on an OI of Rs. 93.97 crore in FY2015. For Q1 FY2017, the company has reported a net loss of Rs. 1.01 crore on an OI of Rs. 26.39 crore.

October 2016

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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