

## Andritz Hydro Private Limited

April 11, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Working Capital Facilities	340.00	408.00	[ICRA]A+ (Stable); Assigned / Outstanding
Non-fund based-Working Capital Facilities	910.00	910.00	[ICRA]A1; Outstanding
<b>Total</b>	<b>1250.00</b>	<b>1318.00</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has assigned a long -term rating of [ICRA]A+ (pronounced ICRA A plus) to the Rs. 408.00-crore (enhanced from Rs. 340.00-crore) fund based working capital facilities of Andritz Hydro Private Limited (AHPL). ICRA has an outstanding short-term rating of [ICRA]A1 (pronounced ICRA A one) on Rs. 910.00-crore<sup>1</sup> non fund based facilities of AHPL<sup>2</sup>. The outlook on the long-term rating is 'Stable'.

### Rationale

The assigned rating favourably factors in the company's strong parentage - the Andritz Group - which has extensive experience in turnkey electro-mechanical equipment and services for hydro power plants, access to the technical expertise of the Andritz Group, and the financial support from the Group to meet AHPL's working-capital requirements. Further, the ratings take into consideration the corporate guarantees given by the parent company, Andritz Hydro GmbH, Austria, to AHPL's credit lines. The ratings also factor in the healthy order-book position of Rs. 2687 crore as on December 31, 2017, which is 3.4 times the turnover in FY2017. Moreover, the ratings consider the improvement in the company's order-book movement as reflected by an increase in the revenues to Rs. 848 crore in 9M FY2018, from Rs. 792 crore in FY2017. AHPL's liquidity position is comfortable as reflected by opening cash balance of Rs. 156 crore and unutilised fund-based limits of around Rs. 145 crore as on March 31, 2017.

However, the ratings are tempered by the company's moderate operating profitability despite a marginal improvement in the current year, and exposure to execution risks inherent in hydro power projects, especially during preliminary stages of execution. AHPL is also exposed to the credit risk profiles of power-generating companies (where receivables are not backed by letter of credit), some of which have low credit quality, resulting in elongation of receivable cycle. The ratings also factor in the strong competition from domestic as well as global players with local presence, which may have an adverse impact on AHPL's revenues and profitability metrics.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Outlook: Stable

ICRA believes that AHPL will continue to record healthy growth in billings, improvement in operating profitability and a comfortable liquidity position. Also, the company will continue to benefit from the extensive experience and financial support from its promoter group. The outlook may be revised to Positive if the billings, operating profitability and debt-coverage metrics are higher than expected along with better working-capital management. The outlook may be revised to Negative if the billings and operating profitability are lower than expected and result in deterioration in debt-coverage metrics, or if a stretch in the working-capital cycle weakens liquidity.

## Key rating drivers

### Credit strengths

**Strong parentage and support from the Group** – Andritz Group is one of the leading suppliers of hydropower equipment. The Group has a global presence and extensive experience in turnkey electro-mechanical equipment and services for hydropower plants. AHPL has access to the technical expertise of the Andritz Group and also receives financial support in the form of low-cost External Commercial Borrowings and mobilisation advances to finance its working-capital requirements. Further, all the credit lines of AHPL are backed by corporate guarantees from the parent company Andritz Hydro GmbH, Austria.

**Healthy order book position and improvement in the order book movement** – AHPL's order-book position of Rs. 2,687 crore as on December 31, 2017 was 3.4 times the turnover in FY2017 and 3.0 times the turnover in FY2016. Further, there has been an improvement in the order-book movement as reflected by an increase in the revenues to Rs. 848 crore in 9M FY2018 compared with Rs. 792 crore in FY2017.

**Comfortable liquidity position** – The company's liquidity position is comfortable as reflected by opening cash balance of Rs. 156 crore and unutilised fund-based limits of around Rs. 145 crore as on March 31, 2017.

### Credit challenges

**Moderate operating profitability** - Notwithstanding the improvement during the current year, the company's operating profitability is likely to remain moderate. AHPL reported an operating profitability of 7.3% in 9M FY2018 as against 4.5% in FY2017.

**Exposed to execution risks** – AHPL is exposed to execution risks inherent in hydro power projects, especially during the preliminary stages of execution.

**Intense competition** - Strong competition from domestic as well as global players with local presence could have an adverse impact on profitability metrics.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

## About the company:

AHPL designs, manufactures, services, erects and installs hydro and thermal power generators for large hydro plants, large rehabilitation plants, service rehabilitation plants, compact hydro plants and combined cycle plants. The company's manufacturing facilities are located at Mandideep (Madhya Pradesh) and Prithla (Haryana). AHPL mainly operates in the following four segments:

- Large Hydro (LH): Manufacturing, erection and installation of hydropower plants having a capacity rating of more than 30MW.  
Large Rehabilitation (LR): Renovation, modernisation and upgrade of hydropower plants having a capacity rating of 50 MW and above.
- Service Rehabilitation (SR): Renovation, modernisation and upgrade of hydropower plants having a capacity rating of less than 50 MW.
- Compact Hydro (CH): Manufacturing, erection and installation of hydropower plants having a capacity rating of less than 30MW.
- Generator Turbo (GT): Manufacturing of electromechanical components for captive thermal power plants.

In the current year, the company has started manufacturing penstock and gates for hydropower plants. Further, the company has ventured into pumps business under large hydro segment.

In FY2017 (12-month period), the company reported net profit of Rs. 27.4 crore on an operating income (OI) of Rs. 791.5 crore compared with a net profit of Rs. 42.4 crore on an OI of Rs. 952.1 crore in the previous year (15-month period).

## Key financial indicators (audited)

	<b>FY2016</b>	<b>FY2017</b>
	<b>15 months</b>	<b>12 months</b>
Operating Income (Rs. crore)	952.1	791.5
PAT (Rs. crore)	42.4	27.4
OPBDIT/ OI (%)	4.7%	4.5%
RoCE (%)	17.9%	12.4%
Total Debt/ TNW (times)*	0.2	0.4
Total Debt/ OPBDIT (times)*	1.2	3.5
Interest Coverage (times)	1.6	4.1
NWC/ OI (%)	21%	21%

\*net debt of the company is negative at Rs. 31 crore given the high cash balance in FY2017 and net debt in Rs. 68 crore in FY2016.

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

## Any other information: None

## Rating history for last three years

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015	
				April 2018	February 2017	January 2016	October 2014	
1 Fund-based working capital facilities	Long Term	408.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	
2 Non fund-based working capital facilities	Short Term	910.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	

## 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
-	Fund-based working capital facilities	-	-	-	408.00	[ICRA]A+ (Stable)
-	Non fund-based working capital facilities	-	-	-	910.00	[ICRA]A1

Source: Andritz Hydro Private Limited

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