

January 03, 2020

## Hydrogen Gentech Private Limited: Ratings revised

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Cash Credit	3.00	3.00	[ICRA]D; Revised from [ICRA]B+ (Stable)
Long-term Term Loan	8.00	8.00	[ICRA]D; Revised from [ICRA]B+ (Stable)
Long-term Unallocated	1.50	1.50	[ICRA]D; Revised from [ICRA]B+ (Stable)
<b>Total</b>	<b>12.50</b>	<b>12.50</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revised ratings factor in the delays in debt reservicing in December 2019. The ratings are further constrained by the delay in COD of the proposed project owing to the delay in obtaining technical know-how. Hydrogen Gentech Private Limited's (HGPL) project was supposed to be completed by January 2018. However, it is yet to commence operations. Further, ICRA notes that, at present, the company is accepting orders for its allied products and not yet for hydrogen generation plants, as a result of which the revenue outlook looks bleak for the current financial year. The rating remains constrained because of the foreign exchange rate fluctuations as exports are expected to account for most of its sales. With no natural hedge available, the company is exposed to the associated risks. ICRA notes that it may mitigate the same through the use of forward contracts.

However, the ratings take into account the established position of HGPL promoters and its Group company, Nuberg Engineering Limited (NEL), in the industrial EPC segment. HGPL's promoters have more than two decades of experience as they have established a number of hydrogen gas generation plants previously.

### Key rating drivers and their description

#### Credit strengths

**Established position of promoters and Group company** – The company's promoters have an established track record of more than two decades in the industrial engineering, procurement, construction (EPC) segment through its Group company – NEL. As a part of its business, the promoters have established a number of hydrogen gas generation plant projects on EPC basis or lump sum turnkey (LSTK) basis over the last 15 years based on all major technologies available in the market. This apart, ICRA expects some similarity between NEL's customer base and HGPL's prospective clientele, which should mitigate the impact of market risks on the company to some extent. Further, HGPL can benefit from NEL's relationships with suppliers as well.

## Credit challenges

**Delay in debt reservicing** – The ratings factor in the delays made by HGPL in reservicing its debt obligations in a timely manner for the month of December 2019.

**Delay in project completion** – HGPL expected its project to be completed by January 2018. However, owing to a delay in obtaining technical know-how, it has extended its SCOD. At present, the company is accepting orders for its allied products, and not yet for hydrogen generation plants. However, ICRA notes that the company successfully extended the moratorium period for its term loan from November 2018 to November 2019.

**Low confirmed orders as on date** – At present, HGPL is negotiating with prospective clients for new orders and has orders worth Rs. 1.39 crore in hand, for its allied products. With repayments having commenced from November 2019, timely receipt and execution of its orders remain important.

**Exposure to forex risks** – As the company is expecting to export a portion of its sales and there is no natural hedge available due to local procurement of supplies, the company will be exposed to foreign exchange fluctuation risks. However, the management may hedge its exposure through forward contracts.

## Liquidity position: Poor

HGPL's liquidity is poor owing to repayments having commenced since November 2019, with operations yet to fully commence. This apart, low cash and liquid investments characterize its liquidity stress. Timely support from promoters will be key to ensure regularity of debt servicing.

## Rating sensitivities

**Positive trigger** – ICRA could upgrade HGPL's ratings if the company demonstrates a satisfactory track record of timely debt reservicing.

**Negative trigger** – Not applicable.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Not applicable

## About the company

HGPL is promoted by Mr. Siddhartha Gupta, Mr. Atul Tyagi, Mr. Amit Tyagi and Mr. Sham Raj Tyagi. The company proposes to manufacture hydrogen generation plants with capacities ranging from 25 NM<sup>3</sup>/Hr to 100 NM<sup>3</sup>/Hr and 2 NM<sup>3</sup>/Hr to 10 NM<sup>3</sup>/Hr to provide advantages of green, high purity hydrogen to meet the growing demands of hydrogen generation in India as well as the overseas market. The total cost of the project was Rs 12.50 crore, which was funded through Rs. 8.00 crore of term loan and the remaining from promoters' contribution. The loan has to be paid in 84 monthly instalments starting from November 2019.

The flagship company (NEL) and its promoters have extensive experience in industrial fabrication. NEL has reported net sales of Rs. 306.23 crore for FY2018 compared to net sales of Rs. 284.23 crore for FY2017.

### Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	0.0	0.0
PAT (Rs. crore)	0.0	0.0
OPBDIT/OI (%)	-	-
RoCE (%)	1.2%	0.7%
Total Outside Liabilities/Tangible Net Worth (times)	3.2	3.2
Total Debt/OPBDIT (times)	-	-
Interest Coverage (times)	-	-
DSCR	-	-

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

**Any other information: None**

### Rating history for past three years

	Instrument	Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Current Rating	FY2019	FY2018	FY2017
					3-Jan-2020	20-Dec-2018	18-Oct-2017	-
1	Cash Credit	Long Term	3.00	3.00	[ICRA]D	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	-
2	Term Loan	Long Term	8.00	8.00	[ICRA]D	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	-
3	Unallocated	Long Term	1.50	1.50	[ICRA]D	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	-

*Amount in Rs. crore*

### 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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	3.00	[ICRA]D
NA	Term Loan	2017	NA	July 2026	8.00	[ICRA]D
NA	Unallocated	NA	NA	NA	1.50	[ICRA]D

Source: HGPL

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

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