

Hind Rectifiers Limited

Instrument	Amount rated	Rating Action
Fund Based Limits (Cash Credit)	Rs 21.50 crore	[[ICRA]BB+ (Negative); Downgraded from [ICRA]BBB-(Negative)
Non-Fund Based Limits (LG/LC)	Rs 14.00 crore	[ICRA]BB+(Negative) /ICRA]A4+; Downgraded from [ICRA]BBB-(Negative)/[ICRA]A3

ICRA has downgraded the long-term rating assigned to the fund-based and non-fund based facilities aggregating to Rs. 35.50 crore of Hind Rectifiers Limited (HRL)¹ to [ICRA]BB+(pronounced ICRA double B plus) from [ICRA]BBB- (pronounced ICRA triple B minus) and to [ICRA]A4+ (pronounced ICRA A four plus) from [ICRA]A3 (pronounced as ICRA A three). The outlook on the long-term rating is 'Negative'.

The ratings downgrade takes into account the continuation of weakening of company's financial risk profile in the current year, till 9MFY2016 on account of slow execution of orders driven by delays in receiving technical clearances from its customers, leading to lower sales as well as profitability levels as anticipated by ICRA during the last rating exercise. The working capital intensity of operations continues to remain high on account of high receivables position which has led to almost full utilization of fund based limits reflecting stress on liquidity position. The ratings also factor in the debt funded factory upgradation plans of the company which might result in deterioration in capitalization indicators in the near term. The ratings however, continues to derive comfort from the company's established track record as a supplier of power semiconductor devices and power equipments, pre-qualification status to bid for tenders from various reputed private and public sector entities, including railways.

Going forward, the ability of the company to scale up its sales of three phase equipments and turn around its operations remains critical from credit perspective. Efficient management of its receivables working capital requirements so as to keep debt under reasonable levels will also be a 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 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

For FY 2014, the company reported loss of Rs. 4.93 crore on an operating income of Rs. 96.87 crore. For FY 2015, the company reported net loss of Rs. 3.57 crore on an operating income of Rs. 93.97crore. In 9M FY 2016, the company reported loss of Rs. 5.03 crore on operating income of Rs. 54.13 crore.

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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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