June 24, 2025 (Revised)

Bharat Bijlee Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based Limits	450.00	430.00	[ICRA]AA-(Stable)/[ICRA]A1+; Reaffirmed
Non-fund Based Limits	750.00	718.50	[ICRA]AA-(Stable)/[ICRA]A1+; Reaffirmed
Unallocated Limits	-	111.50	[ICRA]AA-(Stable)/[ICRA]A1+; Assigned
Total	**1,200.00**	**1,260.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings consider Bharat Bijlee Limited's (BBL) proven track record and its promoters' extensive experience in the electrical equipment manufacturing industry. It is one of the leading players in the domestic transformer and electrical motor industry with repeat orders from various state electricity boards and private players, along with a healthy retail presence in the motors segment. Healthy demand, backed by the Government's push for infrastructure projects has supported a healthy scale-up of the company's operations with its revenue growth at a CAGR of 15% during FY2020-FY2025. However, BBL's revenue growth was modest at 2% in FY2025, owing to lower order booking in H1 FY2025 in the transformer segment due to the General Elections, and a decline in price realisations in the motors segment on account of intense competition. Nevertheless, an improved order book in the transformer segment, along with capacity additions in the motors segment, is expected to result in healthy revenue growth for the company in FY2026. This apart, BBL is expanding its transformer capacity to 28,000 MVA from 18,000 MVA, which is expected to be operational in Q1 FY2027 and aid in revenue growth over the medium term. Additionally, the ratings are underpinned by a strong liquidity profile, supported by a healthy cash position and sizeable value of marketable securities.

However, the ratings remain constrained by the intense competition in the transformer and motors divisions, resulting in range-bound margin movement. The company derives 60% of its revenues in the motor segment (21% of total revenue) from the retail segment (through dealer network of 400+), where fluctuations in raw material costs are passed on to customers with a time lag. The company derives the balance revenues from tender-based and non-tender based contracts. The tender-based contracts have price variance clauses, which act as a barrier against unprecedented price movements. Conversely, the non-tender contracts are mostly fixed price contracts, wherein the company absorbs fluctuations in the raw material prices, if any. Further, the ratings are constrained by the working capital-intensive nature of the business due to its elongated receivable cycle and long manufacturing process for the power transformer segment. However, BBL has been able to diversify its customer base towards private sector players, where payment cycles have been much better, leading to a notable reduction in the working capital intensity to 14% in FY2025 from 30% in FY2023. Moreover, BBL's operations are intricately linked to investments in the power and capital goods sectors. Such investments will remain critical for the company to ramp up its scale of operations and improve its profitability and return indicators.

The Stable outlook reflects ICRA's opinion that BBL's credit profile will continue to be supported by the favourable capex cycle amid the Government's push for infrastructure projects, which, along with planned capacity additions, is likely to fuel growth in revenue and earnings.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters with established market presence in power transformers and electric motors segments in India – The promoters of BBL have extensive experience in transformers and motor manufacturing, which has resulted in the company developing established relationships with customers, securing repeat orders over the years. This has positioned BBL as one of the leading players in the domestic market for power transformers and electric motors. The involvement of the second generation of the founding promoters in recent years has ensured continuity and stability for the business. BBL has a significant presence in the power transformer segment, particularly with its 220-KV class transformers up to 200 MVA. At present, the company is expanding its transformer capacity to 28,000 MVA from 18,000 MVA, with commercialisation expected in Q1 FY2027. Its motor division manufactures and sells a wide range of standard as well as specially designed, low tension (below 6.6 KV) motors, high-tension motors ranging from 0.18 KW (fractional kilowatt motors) to 1,250 KW and traction motors. In the past, the company has enhanced its technical capabilities by adhering to stringent safety and quality norms, earning certifications from top international bodies such as Atmosphères Explosibles (ATEX), International Electrotechnical Commission System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEx), and Bureau of Indian Standards (BIS) etc. for its motors. The company's motors centralised type test field (CTTF) lab is National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited for testing motors up to 11,000V and 1,500kW. Similarly, its transformer testing lab is also NABL accredited for testing transformers up to 220 MVA and 220 kV. These accreditations have further strengthened its brand image and expanded its scope of bidding avenues.

Strong financial profile and liquidity position – BBL has a sizeable scale of operations and earnings, considerable net worth and conservative debt protection metrics with no long-term debt. Additionally, the fund-based working capital facilities are largely unutilised, which provides a boost to BBL's financial profile. Further, its healthy accruals over the last several years have resulted in a sizeable net worth of Rs. 1,321.3 crore as on March 31, 2025. BBL's liquidity position remains comfortable, aided by healthy unencumbered cash and bank balances of Rs. 397.9 crore, liquid investments of Rs. 36.2 crore, and investments in equities with a market value of Rs. 1,304.7 crore as on March 31, 2025.

Credit challenges

Operations remain linked to investments in power and capital goods sectors; exposed to intense competition in transformer and motor segments – BBL's operations are inherently linked to investment activities in the power and capital goods sectors. Thus, such investments will remain critical for the company to ramp up its scale of operations in the medium term. Also, the demand-supply situation in the domestic transformer industry remains challenging on account of issues posed by the power sector in terms of large capacity additions (especially in thermal and gas-based units), leading to intense competition and limiting the pricing flexibility for most players in the segment. Moreover, competition remains intense in the motor segment, given the presence of large MNCs as well as domestic players in the field. This is in addition to more standard product offerings compared to customisation available in the transformer portfolio.

Working capital-intensive nature of business in transformer segment – Over the years, BBL's operations have remained working capital-intensive, primarily due to the extended payment cycles associated with tender-based contracts and the lengthy manufacturing process in the power transformer segment, resulting in a build-up of the work-in-progress inventory. However, with a growing share of non-tender business in the transformer segment, the company has seen a notable improvement in its collection cycle—reducing to 73 days as of March 2025 from 100 days as on March 31, 2023. Going forward, the proportion of tender-based businesses compared to non-tender ones will be a key determinant of BBL's working capital requirements.

Susceptible to variations in raw material prices in non-tender based orders, which are largely fixed-price contracts – Around 40-45% of BBL's contracts come with price variation clauses while the rest are fixed-price contracts. For electrical motors, only fixed-price contracts are prevalent, considering the lower lead time required for manufacturing these products with sizeable sales proportion to the retail segments, wherein the prices are generally market-driven. Although BBL is protected against any raw material price increase in contracts, which include price variation clauses, it is sensitive to variations in copper and cold rolled grain oriented (CRGO) steel prices for fixed-price contracts. This is because BBL buys copper and CRGO steel in spot markets, where rates are volatile.

Environmental and social risks

Environmental considerations – BBL is exposed to risks from tightening of environmental regulations related to emissions and waste generated from its manufacturing process. This apart, efficient waste segregation (hazardous and non-hazardous waste) through a robust waste management system is required to meet regulatory requirements. Any disruption in its environment-related policies can attract significant fines or punitive action from the regulators.

Social considerations – As BBL's operations are labour-intensive, it is exposed to the risk of disruption in human capital management in terms of workforce safety and overall employee well-being. BBL is also exposed to the risk of a shortage of skilled manpower, which can impact operations. However, as per the company's disclosures, BBL has undertaken measures towards employee welfare, including a social accountability policy.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if there is a sustained improvement in the scale of operations on the back of strong order inflow and timely execution, leading to an overall strengthening of the financial profile and credit metrics. Better management of working capital, particularly on the receivable front while maintaining its liquidity profile, will also be positive for the rating.

Negative factors – Pressure on BBL's ratings can arise if cash accruals weaken significantly due to a material reduction in revenues or margins, or if any major debt-funded capital expenditure, or a stretch in the working capital cycle, impacts the liquidity profile materially.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Established in 1946, Bharat Bijlee Limited is one of the leading electrical engineering companies in India. The company has two primary business segments: power systems, comprising transformers and projects divisions; and industrial systems, comprising electric motors, drives and industrial automation and elevator systems divisions. It caters to an array of industries such as power, refineries, steel, cement, railways, machinery, construction and textiles. In the projects division, it undertakes turnkey jobs (switchyards) and is well-positioned to provide complete 'concept to commissioning' services.

Headquartered in Mumbai, it has a strong sales and service network with 13 regional offices across India. Its manufacturing facilities are in Airoli, Navi Mumbai on a 1,70,321 square meters campus, with a working area of ~63,000 square metres. The company employs about 1,700 skilled personnel.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	1,872.5	1,901.7
PAT	131.4	133.7
OPBDIT/OI	9.3%	9.0%
PAT/OI	7.0%	7.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.9	0.5
Interest coverage (times)	7.5	10.4

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					
				FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs. crore)	June 24, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term/Short Term	430.00	[ICRA]AA-(Stable)/ [ICRA]A1+	13-JUN-2024	[ICRA]AA-(Stable)/ [ICRA]A1+	06-JUL-2023	[ICRA]A+ (Positive)/ [ICRA]A1+	20-JUN-2022	[ICRA]A+ (Stable)/ [ICRA]A1+
Non-Fund based Others	Long Term/Short Term	718.50	[ICRA]AA-(Stable)/ [ICRA]A1+	13-JUN-2024	[ICRA]AA-(Stable)/ [ICRA]A1+	06-JUL-2023	[ICRA]A+ (Positive)/ [ICRA]A1+	20-JUN-2022	[ICRA]A+ (Stable)/ [ICRA]A1+
Unallocated	Long Term/Short Term	111.50	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	06-JUL-2023	[ICRA]A+ (Positive)/ [ICRA]A1+	20-JUN-2022	[ICRA]A+ (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term and short term - Fund based	Simple
Long-term and short term - Non-fund based	Simple
Unallocated Limits	Not applicable

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	**Cash Credit/ WCDL/ Short-term Borrowings**	NA	NA	NA	430.00	[ICRA]AA-(Stable)/ [ICRA]A1+
NA	**Bank Guarantee and Letter of Credit**	NA	NA	NA	718.50	[ICRA]AA-(Stable)/ [ICRA]A1+
NA	**Unallocated**	NA	NA	NA	111.50	[ICRA]AA-(Stable)/ [ICRA]A1+

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

Corrigendum

The press release dated June 24, 2025, has been corrected with revisions as below:

The timeline for the transformer capacity expansion becoming operational, as mentioned on Pages 1 and 2 stand corrected

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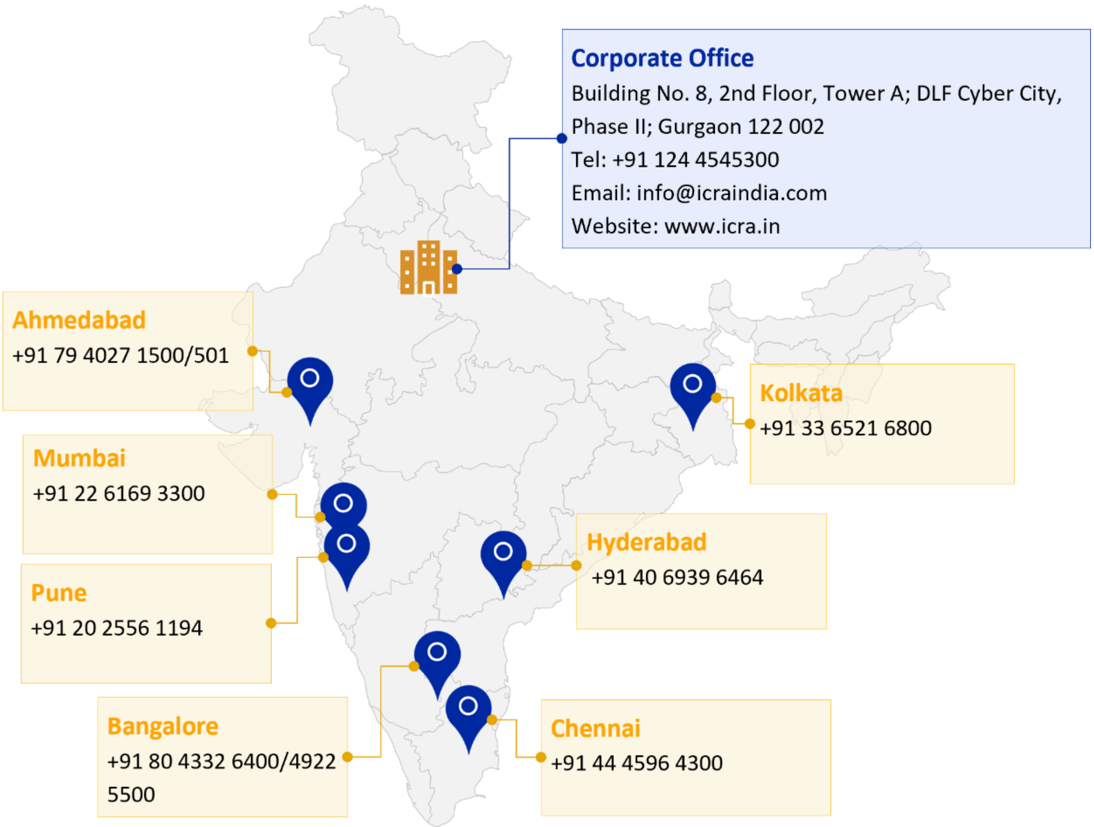

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