

April 05, 2024

NTPC GE Power Services Private Limited (erstwhile NTPC Alstom Power Services Private Limited): Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Working capital facilities	45.50	45.50	[ICRA]A+ (Stable); reaffirmed
Short term – Non-fund based limits	454.50	404.50	[ICRA]A1; reaffirmed
Short Term - Unallocated	1.00	151.00	[ICRA]A1; reaffirmed/assigned for enhanced amount
Total	501.00	601.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings for the bank lines of NTPC GE Power Services Private Limited (NGSL/ the company) factor in a healthy revenue visibility for the company, driven by a robust order book position which majorly includes Operation & Maintenance (O&M) contracts for entities such as Bharat Aluminium Company Limited (BALCO), Vedanta Limited, Engineering Procurement Construction (EPC) contract and Balance of Plant (BoP) supply contract for solar projects for Green Valley Renewable Energy Limited and NTPC Renewable Energy Limited (NTPCREL) respectively. ICRA expects the order book position to be around Rs. 1,500 crore by the end of FY2024.

ICRA also notes that the company has been declared the L-1 bidder for a renovation & modernisation (R&M) contract for turbine generators (TG), which it expects to receive shortly, providing further fillip to the order book position. A significant potential for rehabilitation, renovation and modernisation of coal-based power plants and the increasing focus on environmental control systems augur well for NGSL's future order intake as well.

The ratings also factor in NGSL's established execution track record in the industry, and its strong parents – NTPC Limited (NTPC¹) and GE Power India Limited (GEPIL²) ICRA considers the support from NTPC Limited, as has been indicated by the parent, in terms of technical/managerial as well as financial assistance even if the other joint venture partner fails to do so. With the addition of new orders, NGSL's order book has diversified and now contains orders from the flue gas desulphurisation (FGD) and solar power segments, further boosting the credit profile of the company.

The ratings, however, are constrained by NGSL's moderate scale of operations, modest profit margins, limited pricing flexibility owing to competitive pressures and inability to pass on cost escalations for some projects. The funding requirements of the business have increased on the back of higher project execution and accordingly high outstanding receivables, although the same has improved to a large extent with the release of the retention money from the projects executed earlier. With the company experiencing a transition in its product/business mix, the company may witness and increase in the fund based borrowings even though the coverage metrics are expected to remain comfortable. ICRA also notes that a part of the company's billing towards O&M contracts, which was earlier being held back, has now reduced with the improvement in the performance of the plants against the key performance indicators (KPIs) under the O&M contract.

¹rated [ICRA]AAA (Stable)/[ICRA]A1+

² rated [ICRA]BBB (Negative)/[ICRA]A3+

The Stable outlook on the long-term rating reflects ICRA's opinion that NGSL will continue to benefit from its strong parentage and the revenue visibility from the current order book.

Key rating drivers and their description

Credit strengths

Strong parentage and established track record in providing services in power sector – NGSL has an established operational track record with an extensive experience of the management in providing rehabilitation, renovation and modernisation (R&M) services and related operations and maintenance services, largely to thermal power plants.

Major O&M orders provide revenue visibility in medium term; recent order inflow further enhances revenue visibility – The company has a healthy order book position, which majorly includes operation & maintenance (O&M) contracts for Bharat Aluminium Company Limited (BALCO) and Vedanta Limited, and an engineering procurement construction (EPC) contract and a balance of plant (BoP) supply contract for the solar projects of Green Valley Renewable Energy Limited and NTPC Renewable Energy Limited (NTPCREL), respectively. The order book provides healthy revenue visibility over the course of the next three years. NGSL will continue to partner the GE Group for the FGD projects and with FGD installations in the country expected to grow, the company may benefit from the trend.

Credit challenges

Modest scale of operations expected to improve if projects at hand are executed in a timely manner – The company is a relatively moderate-sized player. The revenues have been volatile in the past owing to the variability in the level of order inflows and the dependence of order execution on the shutdown schedule of power plants. However, with large O&M orders in place, the scale of operations is expected to increase along with stable operating margins from these contracts.

Customer concentration risk with top three customers constituting more than 70% of the total order book – NGSL's current order book comprises of orders from three customers, which account for 70% of the order book. These entities include BALCO, Vedanta and NTPC Renewable Energy Limited. The company derived ~81% and ~68% of its revenue from the O&M contracts with BALCO and Vedanta in FY2023 and FY2024 respectively. While the order book remains concentrated among a few customers, the strong counterparty credit profile partly mitigates the risk. Going forward, the customer base is expected to expand with a stable order inflow, resulting in lower customer concentration risk.

Receivables cycle remains stretched – The company's debtor days remain high as a large part is retention money, though this is supported by back-to-back creditors. Additionally, the payment cycle of the O&M contracts has also remained longer than expected which has kept the receivable cycle elongated. Going forward, as the company executes the solar power projects, the receivable cycle may moderate with the build-up of retention money.

Liquidity position: Adequate

The company's liquidity is adequate, supported by healthy free cash balance as on December 31, 2023, nil debt repayments and no major capex plans, going forward. The company has been able to manage its working capital requirements by entering into back-to-back contracts with its suppliers, resulting in the company being able to match the receivable cycle largely with the credit period from suppliers and advances from the customers. With the release of retention money from some of the past projects, the company has been able to manage the increase in the retention money blockage in the ongoing projects. The ability to raise non-fund-based limits at nil margins and availability of the unutilised Rs. 45.5 crore of cash credit limit support the company's liquidity position.

Rating sensitivities

Positive factors – The ratings can be upgraded if there is a material change in the business mix, significantly increasing the scale and profit margins on a sustained basis, without any major increase in the debt levels.

Negative factors – NGSL's ratings could be downgraded if there is a significant decline in the company's revenues on a sustained basis due to lower order book execution and decline in fresh order inflow, or reduction in profit margins and cash flow generation. Moreover, an increase in the working capital intensity with a change in the order mix, leading to significant reliance on external debt and material deterioration of the debt protection metrics could also lead to a downgrade. Deterioration in the credit profile of NTPC and/or weakening of the linkages with NTPC could also lead to a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Ultimate Parent Company: NTPC Limited & GE Power India Limited The ratings are based on implicit support from NTPC Limited, primarily in the form of technological and financial support, given the close involvement of NTPC Limited in the management and the intent indicated to support the entity. The support is expected to manifest even in case of the support not coming in from the JV partner
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of NGSL

About the company

NTPC GE Power Services Private Limited was formed in the year 1999 through the partnership of two leading companies in the power sector, namely NTPC Ltd., India and ABB Kraftwerke AG, Germany, subsequently acquired by Alstom Power generation AG and ALSTOM Power Systems GmbH in Year 2001 and Year 2010 respectively and subsequently in 2015, the power business of the ALSTOM Group was taken over by General Electric Company (GE) and consequently the shareholding of ALSTOM Group in the JV was transferred to GE. Subsequently, the name of the company was changed to its present name in February 2017.

Both the JV partners held 50% stake each in the company. In FY2021-22, GE Power India Limited acquired 50% of the issued and paid-up share capital of NTPC GE Power Services Private Limited from GE Power Systems GmbH at a consideration of Rs. 7.20 crore. The GE Group has 50% voting rights in NGSL and right to net assets in NGSL, thereby having joint control over NGSL along with NTPC.

NGSL provides rehabilitation, renovation and modernisation (R&M) services and related operation & maintenance services to power plants in India. The company also provides other related services such as residual life assessment (RLA), plant life extension studies, performance improvement and upgrading studies, steam path audit (SPA) etc. NGSL has expanded its scope of work in areas of comprehensive O&M of thermal power plants, FGD O&M and installation, waste to energy projects as well as solar EPC project execution and solar power plant O&M contracts in the last 2 to 3 years.

Key financial indicators (audited)

NGSL Standalone	FY2022	FY2023
Operating income	269.84	415.43
PAT	4.0	6.2
OPBDIT/OI	3.8%	3.0%
PAT/OI	1.5%	1.5%
Total outside liabilities/Tangible net worth (times)	12.3	11.2
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	3.1	7.4

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 rating (FY2025)				Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Apr 05, 2024	-	Mar 30, 2023	Jun 28, 2022	Apr 14, 2021
1 Fund-based working capital facilities	Long term	45.50	-	[ICRA]A+ (Stable)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2 Non-fund based	Short term	404.50	-	[ICRA]A1	-	[ICRA]A1	[ICRA]A1	[ICRA]A1
3 Unallocated	Short term	151.00	-	[ICRA]A1	-	[ICRA]A1	[ICRA]A1	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Working capital facilities	Simple
Short term – Non-fund based limits	Very Simple
Short Term - Unallocated	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	Fund based working capital facilities	NA	NA	NA	45.50	[ICRA]A+ (Stable)
NA	Non-fund based	NA	NA	NA	404.50	[ICRA]A1
NA	Unallocated	NA	NA	NA	151.00	[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

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About ICRA Limited:

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