

Thermax Babcock & Wilcox Energy Solutions Private Limited (Revised)

Rating Instrument	Amount	Rating Action
Non fund based facilities	Rs. 210.00 crore reduced from Rs. 970.00 crore	[ICRA]BBB+ reaffirmed, outlook revised to Stable from Negative / [ICRA]A2+ upgraded from [ICRA]A2
Term loans	Rs. 437.00 crore	[ICRA]BBB+, Rating withdrawn
Cash Credit	Rs. 100.00 crore	[ICRA]BBB+, Rating withdrawn
Forward Cover	Rs. 5.00 crore	[ICRA]A2, Rating withdrawn
Working Capital Term Loan	Rs. 130.00 crore	[ICRA]AA- (SO), Rating withdrawn

The non fund based facilities are interchangeable between long term and short term

ICRA has reaffirmed the rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and upgraded the rating to [ICRA]A2+ (pronounced ICRA A two plus) from [ICRA]A2 (pronounce ICRA A two) to the Rs. 210.00 crore¹ (reduced from Rs. 970.00 crore) non fund based facilities of Thermax Babcock & Wilcox Energy Solutions Private Limited (TBWES)[†]. The facilities are interchangeable between long term and short term. The outlook on the long term rating has been revised to Stable from Negative. ICRA has withdrawn the [ICRA]BBB+ (pronounced ICRA triple B plus) rating assigned to Rs. 437.00 crore term loan facilities and Rs. 100 crore cash credit facilities and [ICRA]A2 rating assigned to the Rs. 5.00 crore short term fund based facilities of TBWES as there is no amount outstanding against the rated instrument. ICRA has also withdrawn the [ICRA]AA- (SO) (pronounced ICRA double A minus Structured Obligation) rating assigned to the Rs. 130.00 crore Working Capital Term Loan (WCTL) facility of TBWES as there is no amount outstanding against the rated instrument.

The revision in the short term rating and revision of outlook derives comfort from prepayment of term debt supported by sizeable equity infusion (~Rs. 452 crore) by the promoters and resultant improvement in the company's financial risk profile. The liquidity position of the company remains comfortable supported by adequate customer advances and cash balances, aided by the order inflows from Babcock & Wilcox (B&W) at favourable payment terms. The ratings continue to reflect the strong technical, managerial and financial support the company receives from both the sponsors and experienced key management personnel with extensive experience in the domestic and international power equipment sector. ICRA expects the company to continue to benefit from its strategic importance for the promoters, which is evidenced in global orders received from B&W over the last two years.

The ratings, however, remain constrained by absence of any sizeable supercritical orders in India so far owing to continued slowdown in the fresh order inflows for power generation equipments due to deferment of investment plans by private IPPs as well as delays in finalization of project awards by State/Central sector entities. Majority of the order finalization in the supercritical space over the last few years has been on EPC or BTG basis, while some orders were finalized on nomination basis. Therefore, ICRA reiterates that the ability of the company to enter into project specific tie-ups with STG suppliers and developing project construction capabilities so as to execute either BTG or full EPC orders remains important. In absence of any material opportunities in the Indian supercritical boiler space at present, the order book position of the company is likely to remain subdued in the near to medium term. Even though the company is receiving orders from B&W, which are likely to help in funding the fixed overheads; sustainable improvement in financial performance hinges on ability of the company to win large supercritical orders on its own. ICRA further takes into consideration the pricing pressures for all new orders in the market, which are likely to persist in the near term given the over-capacity in this segment, hence the ability to optimize costs in order to be able to place competitive bids would remain important from the credit perspective.

Company Profile

Incorporated in June 2010, the Company has set up a manufacturing facility for subcritical and super-critical boilers at Shirwal near Pune in Maharashtra. The Company manufactures subcritical boilers above 300 MW rating and super-critical boilers up to 1000 MW rating. The Company is promoted by Thermax Ltd (holding 51%

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



stake) and Babcock & Wilcox Power Generation Group (B&W PGG), USA (holding 49% stake). The Company has signed a technical license agreement with B&W PGG. It will also pay royalty to the licensor. The license has terms and conditions for transfer of technology and knowhow from B&W PGG to TBWES and validity of the license is 20 years. The plant has an annual capacity of 3000 MW. The capacity can be further expanded to 5000 MW with additional investments if required, in future. The Company also intends to provide service and replacement parts for existing power plants. The plant is fully operational and CoD was declared in March 2014.

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