

September 27, 2019 *Revised*

## GE Power India Limited (erstwhile Alstom India Limited): Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based - Working Capital Facilities	35.0	10.0	[ICRA]AA- (Stable); reaffirmed
Non-fund based – BG/LC	3050.0	3800.0	[ICRA]AA-(Stable)/ [ICRA]A1+; reaffirmed
Unallocated	115.0	190.0	[ICRA]AA-(Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>3200.0</b>	<b>4000.0</b>	

### Rationale

The ratings factor in GE Power India Limited's (GEPIL) position among the major players in the thermal and hydro power plant equipment industry in India, its strong technical capabilities, and technological and financial support from its strong parentage, i.e. General Electric Company [GE; rated Baa1 (Stable) by Moody's Investors Service]. While order inflow for thermal and hydro power equipment remains modest, healthy order inflow in environmental control system (ECS) segment in FY2019 and Q1 FY2020 has boosted the unexecuted order book, providing healthy future revenue visibility. Nevertheless, timely execution of the same within the budgeted costs, will be crucial in sustaining the profit margins. GEPIL's revenue stream is diversified, given the wide product/service base offered and contribution from international orders, largely being executed for other GE Group companies. Also, the company's capital structure remains comfortable with no external bank debt, as the funding requirements of the business are largely met through internal accruals, customer advances and high creditor levels (including GE Group companies). This coupled with sizeable free cash balances continues to support the liquidity position.

However, the ratings continue to be constrained by intense competition and subdued demand outlook for power equipment manufacturers including GEPIL, given the limited fresh capacity additions in the thermal and hydro power industry. Moreover, GEPIL's profit margins remain susceptible to challenges in timely execution of orders and volatility in prices of key raw materials and bought out components, given the relatively long project-execution cycle and fixed-price nature of some contracts. These factors coupled with exceptional costs related to internal restructuring have exerted pressure on profitability in the recent years. Also, as a part of the revenues is generated through international orders, GEPIL's profitability is vulnerable to adverse movement in foreign exchange rates. Nevertheless, the risk is mitigated to some extent by a hedging policy in place. ICRA has also taken note of the loans extended by the company to its Group companies.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that GEPIL will continue to benefit from its strong parentage in terms of technical and financial support. Also, its unexecuted orderbook provides revenue visibility.

## Key rating drivers

### Credit strengths

**Established position in industry and diverse revenue stream** – GEPIL is one of the major players in the power equipment industry with an operational track record of several decades. It manufactures critical equipment including boilers, pollution control equipment/systems, etc. for power plants (thermal and hydro) and provides associated services. This coupled with contribution from international orders results in revenue stream diversification to some extent.

**Benefits of strong parentage** – GEPIL benefits from its parentage (ultimate parent - GE) in terms of technical and financial support. Additionally, being part of the GE Group provides leverage while bidding for fresh orders. Manufacturing capacities for boiler and turbine generator (BTG) components across the Group also support the company.

**Sizeable unexecuted orderbook provides revenue visibility** – While order inflow for thermal and hydro power plants equipment has remained modest, the same has been compensated by healthy inflow of flue gas desulfurisation (FGD) orders from National Thermal Power Corporation, under the ECS segment in FY2019 and Q1 FY2020. This has resulted in a sizeable unexecuted order book of around Rs. 8,000 crore as on June 2019, which has provided healthy revenue visibility for the medium term.

**Comfortable capital structure** – Given that working capital requirements are largely met through internal accruals, sizeable customer advances and high creditor levels, GEPIL's capital structure remains comfortable with no external bank debt on the company's balance sheet. It is only utilising non-fund based limits from the banks, largely in the form of bank guarantees.

### Credit challenges

**Intense competition and subdued demand outlook** – The industry remains highly competitive with established local players, global majors operating through joint ventures, and Chinese equipment manufacturers. The subdued demand outlook for the industry, given the limited fresh capacity addition in thermal and hydro power plants, adds to the woes.

**Susceptible to slower project execution** – Given the challenges faced in execution, GEPIL's revenues remain susceptible to any slowdown in the execution of ongoing projects.

**Volatility in profitability** – GEPIL's profit margins remain susceptible to challenges in timely execution of orders and volatility in prices of key raw materials and bought out components, given the relatively long project execution cycle and fixed-price nature of some contracts. These factors coupled with exceptional costs related to internal restructuring have resulted in volatility in profitability in the recent years. While the net profitability was adversely impacted by sizeable exceptional costs in FY2019, GEPIL reported net loss in Q1 FY2020, primarily due to higher-than-anticipated execution costs for some of the ongoing projects.

**Exposure to forex risk** – Given that a part of the revenues is generated through export orders, its profitability is vulnerable to adverse movement in foreign exchange rates. However, a part of the total raw material requirement is met through imports, which creates a natural hedge. Additionally, the company has a hedging mechanism in place, which largely mitigates the risk.

## Liquidity Position: Strong

GEPIL's liquidity position is **Strong** supported by sizeable free cash balances (~Rs. 728 crore as on March 2019), customer advances, internal accrual generation and no debt repayment liability. These factors coupled with funding from high creditor levels (including GE Group companies) has continued to result in no external debt on the company's balance sheet, with only non-fund based limit utilisation. However, it has also extended loans to its Group companies in recent years, which are expected to continue in the medium term.

## Rating sensitivities

**Positive triggers** – While a rating upgrade in the near term is less likely, strong revenue growth and improvement in profit margins on a sustained basis, on the back of healthy execution of the unexecuted order book and consistent order inflow, could lead to a ratings upgrade in the medium term.

**Negative triggers** – GEPIL's ratings could be downgraded if there is considerable decline in revenues due to lower execution of the unexecuted order book, reduction in profit margins and cash flow generation on a sustainable basis. Moreover, stretching of the working capital cycle with Total Outside Liabilities/Total Net Worth ratio increasing above 3.5 times on a sustained basis and downgrade in GE's rating could lead to a ratings downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a>
Parent/Group Support	Ultimate Parent Company: General Electric Company Ratings are based on implicit support from ultimate parent, primarily in the form of technological and financial synergies
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GE Power India Limited; as on March 31, 2019, the company had one wholly-owned subsidiary (enlisted in Annexure-2)

## About the company

GEPIL is involved in the engineering, procurement, and construction of key equipment for thermal and hydropower plants. It manufactures and/or supplies critical electrical and industrial equipment including boilers, turbines and pollution-control equipment for these power plants.

In FY2019, GEPIL reported a net profit of Rs. 75.4 crore on an operating income (OI) of Rs. 1,902.8 crore compared to a net profit of Rs. 26.6 crore on an OI of Rs. 1,338.0 crore in the previous year.

### Key financial indicators (audited) - Consolidated

	FY2018	FY2019
Operating Income (Rs. crore)	1,338.0	1,902.8
PAT (Rs. crore)	26.6	75.4
OPBDIT/OI (%)	9.3%	9.4%
RoCE (%)	8.2%	22.2%
Total Outside Liabilities/Tangible Net Worth (times)	3.5	2.8
Total Debt/OPBDIT (times)	-	-
Interest Coverage (times)	5.3	4.3
DSCR	4.3	2.7

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

**Any other information: None**

## Rating history for last three years

Instrument	Type	Current Rating (FY2020)			Rating History for the past 3 years					
		Amount Rated	Amount Outstanding	Rating	FY2019		FY2018		FY2017	FY2016
				27-Sep-2019	27-Nov-2018	2-Jul-2018	8-Feb-2018	05-Apr-2017	4-Jan-2016	
1	Fund Based Limits	10.0	-	[ICRA]A A- (Stable)	[ICRA]A A- (Stable)	[ICRA]A A (Stable)	[ICRA]A A (Stable)	[ICRA]A A (Stable)	-	[ICRA]A A (Stable)
2	Non Fund Based Limits – LC/BG	3,800.0	-	[ICRA]A A- (Stable) /[ICRA]A 1+	[ICRA]A A- (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	-	[ICRA]A A (Stable) /[ICRA]A 1+
3	Unallocated	190.0	-	[ICRA]A A- (Stable) /[ICRA]A 1+	[ICRA]A A- (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	[ICRA]A A (Stable) /[ICRA]A 1+	-	[ICRA]A A (Stable) /[ICRA]A 1+

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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based Limits	-	-	-	10.0	[ICRA]AA- (Stable)
NA	Non-fund Based Limits - LC/BG	-	-	-	3,800.0	[ICRA]AA- (Stable) / [ICRA]A1+
NA	Unallocated	-	-	-	190.0	[ICRA]AA- (Stable) / [ICRA]A1+

*Source: GE Power India Limited*

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
GE Power Boilers Services Limited	100%	Full Consolidation

---

### **Annexure-3: Corrigendum**

Rationale dated September 27, 2019 has been corrected with revision as detailed below:

- The DSCR figure in the key financial indicator table has been revised to 4.3 for FY2018

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91-124-4545304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Anupama Arora**  
+91-124-4545303  
[anupama@icraindia.com](mailto:anupama@icraindia.com)

**Deepak Jotwani**  
+91-124-4545870  
[deepak.jotwani@icraindia.com](mailto:deepak.jotwani@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivkumar**  
+91-20-61143406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91- 9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.