Doosan Power Systems India Private Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,732.62 (Reduced from 1,884.05)	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	107.30 (Reduced from 305.50)	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	9.71 (Reduced from 11.99)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings of Doosan Power Systems India Private Limited (DPSI) continues to factor in its importance for Doosan Enerbility Co. Limited (DEL, formerly known as Doosan Heavy Industries & Construction Co Ltd) underpinning operational and financial support. Moreover, the presence of a combination of corporate guarantee from DEL and counter-guarantee from various banks for the facilities listed is viewed as a credit positive.

Ratings take cognisance of improvement in DEL's credit profile characterised by healthy inflow of new orders in non-thermal sector and significant reduction in debt levels leading to improvement in the profitability and coverage metrics. Ratings continue to derive strength from Doosan group's strategic importance to South Korea, as the country's leading supplier of power equipment and provider of engineering, procurement, and construction (EPC) services, besides DEL's prominent position in other markets, its technical expertise, and its established track record of executing large projects worldwide. Ratings also factor in the diversification strategy adopted by the group, which has resulted in new order inflow in sectors such as hydrogen, gas, and renewable energy resulting in improving the cash flows from DEL's operations.

DEL's credit strengths are tempered by leverage with short debt maturity elevating its refinancing risk. DEL's credit profile is also prone to its working capital-intensive operation and competition in power sector and new business segments. With respect to DPSI, the reduced revenue visibility due to weak order inflow over a large span of time, moderation in income levels in FY23 (refers to the period April 1 to March 31) along with substantial cash losses in FY23 offsets the rating strengths. Given huge accumulated losses, the company's net worth remains negative. Ratings are also constrained by uncertainty regarding the execution and addition of orders from new business domains as well as existing legacy domains and profitability from the same.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Higher-than-projected execution and significantly improving DPSI's profitability.
- Notably increasing order book of DEL, commanding healthy margins, and reduction in the debt level.

Negative factors

- Significantly deteriorating credit profile of the promoter or dilution in its support philosophy towards DPSI.
- Higher-than-envisaged deterioration in DPSI's financial risk profile.

Analytical approach: Standalone along with factoring linkages with its parent, i.e., Doosan Enerbility.

Outlook: Stable

Revenue visibility for the company remains weak, thus limiting the improvement in its financial risk profile in the medium term. However, the operational and financial benefits from being part of the Doosan group is likely to accrue for DPSI.

Detailed description of the key rating drivers:

Key strengths

Integral part of a reputed global power equipment and EPC company underpinning financial and operational support

As on March 31, 2023, DPSI is entirely owned by DEL, which is a leading global player in manufacturing boilers, turbines for thermal power, EPC for thermal and nuclear power plants, water desalination, and construction segments.

DEL is a strategically important company for South Korea and enjoys greater financial flexibility. It is amongst the leading players globally engaged in BTG manufacturing and EPC for thermal power projects. Apart from power generation equipment, it has

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

continuously undertaken capex and research and development (R&D) initiatives in water desalination, casting and forging, construction, material handling equipment, and green energy segments.
There is adequate representation from DEL on DPSI's board. DEL has provided corporate guarantee/ letter of comfort and has also arranged counter guarantee from various foreign banks for several credit facilities of DPSI to support its working capital requirement. DEL has also provided loan to DPSI as need-based support. CARE Ratings notes, the parent is expected to provide financial and managerial support to DPSI in terms of funds infusion on need basis.

DEL's improved financial risk profile
DEL's financial risk profile has improved through successful monetisation of non-core businesses, cost rationalisation through employee voluntary retirement, and equity infusion among others.
Orders for overseas EPC projects are on the rise post the pandemic amid the increasing oil prices and growing demand for liquefied natural gas (LNG). In line with the same, DEL's revenue has grown driven by steady order backlog. Profitability with respect to orders taken in the past weakened as raw material prices increased during the pandemic. However, new orders contributed favourably given change in contracted prices. DEL's subsidiary - Doosan Bobcat, continued to register healthy profits. DEL's net debt has further reduced in CY23 (refers to period January 1 till Dember 31) to KRW 1.96 trillion as compared with KRW 2.57 trillion as on December 31, 2022, and KRW 3.9 trillion as on December 31, 2021.

Substantial improvement in DEL's order book in CY23, healthy performance expected in CY24
In the past, DEL had witnessed declining order inflow due to change in the energy policy.
However, DEL's order book in CY21 witnessed improvement marked by new orders of 7,324 KRW billion against 5,508 KRW billion in CY20, thereby registering an increase of 33%. The strong momentum was also continued in CY22 and CY23 wherein company registered new orders of 7,478 KRW billion and 8,886 KRW billion, respectively, which was higher than the anticipated addition by the company.
The company is targeting to add orders of 6.3 KRW trillion in CY24 for which the company is focussing to diversify from its legacy business of coal and nuclear to new domains, including renewable energy, gas turbine, hydrogen, and next generation nuclear. The company plans to increase its share from the new focus domains gradually over the next couple of years. However, the company's ability to add and execute high-margin orders in diversified segments considering the changing and challenging business environment remains a key monitorable.

Key weaknesses

Diminishing order book position of DPSI
DPSI's order book has been on a declining track from the past four years due to no new order inflow. The aggregate unexecuted order book of DPSI declined from ₹3,483 crore as on March 31, 2022 to ₹2,444 crore as on November 30, 2022 and further to ₹1,313 crore as on December 31, 2023, which is 0.75x the FY23 revenue of DPSI. This is majorly due to fewer business opportunities, existence of large competitors in India, and rollout of smaller tenders in EPC/ Repair & Maintenance (R&M). The company also closed its manufacturing facility in Chennai in FY23.
The company is currently focusing on the execution of Jawaharpur, Obra 'C', and Harduaganj projects, among the others and is expected to complete the project in FY25. The progress of the projects had been earlier impacted due to COVID-19-led restrictions, resulting in delay. The company has received extension of time (EOT) for the respective projects.

Moderation in leverage and coverage metrics
The company's net worth continues to remain fully eroded due to huge losses in the past. The same continued in FY23 as well. However, comfort is derived from continued support from the parent, DEL, through funds infusion in DPSI which continued in FY23 as well.

Liquidity: Adequate

The company's liquidity is adequate with continuous support from its parent, DEL. The company has been receiving need-based support from the parent in the form of equity infusion and term loans in the past three years. DEL has infused ₹414.29 crore in FY23 to support DPSI. DPSI has no term debt in its books barring the ECB from DEL.
The company maintained nominal cash flow as on March 29, 2024. The company also has FDs of ₹170 crore. Also, the average utilisation of the company's fund-based and non-fund-based limits stood high at 91.4% and 94.1%, respectively, for the trailing 12 months ended February 2024. Going forward, the need-based financial support from DEL is envisaged.

Applicable criteria

[Definition of Default]
[Factoring Linkages Parent Sub JV Group]
[Financial Ratios – Non financial Sector]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Short Term Instruments]
[Manufacturing Companies]
[Construction]

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital goods	Electrical equipment	Heavy electrical equipment

DPSI, a subsidiary of DEL and a part of the Doosan group, is engaged in EPC for power projects, manufacturing of boilers, boiler parts, and repair & maintenance services for thermal power projects. Incorporated in 2000, DPSI was earlier known as Doosan Chennai Works Pvt Ltd (DCW, erstwhile AE&E Chennai Works Pvt Ltd) and was acquired by the Doosan group. Another company of the group, which was earlier known as Doosan Power Systems India Private Ltd along with Doosan Babcock Energy India Pvt Ltd, and Doosan Babcock Engineering & Services India Pvt Ltd were merged with DCW, and DCW was renamed to DPSI in FY12.

Brief Financials (₹ crore)*	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	2,561.27	1,752.04	NA
PBILDT	-519.68	-484.56	NA
PAT	-598.21	-703.41	NA
Overall gearing (times)	-0.57	-0.50	NA
Interest coverage (times)	-2.29	-2.14	NA

A: Audited UA: Unaudited; NA: Not Available
Note: 'these are latest available financial results'; *Per CARE Ratings' methodology

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Bank overdraft	-	-	-	-	9.71	CARE A3+
Non-fund-based - LT-Bank guarantee	-	-	-	-	52.70	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee	-	-	-	-	58.61	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee	-	-	-	-	787.97	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee	-	-	-	-	86.98	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee	-	-	-	-	743.16	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank guarantee	-	-	-	-	35.00	CARE BBB+; Stable / CARE A3+
Non-fund-based-Long term	-	-	-	-	3.20	CARE BBB+; Stable
Non-fund-based-LT/ST	-	-	-	-	72.30	CARE BBB+; Stable / CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT-Bank guarantee	LT	52.70	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE A (CE); Negative (05-Nov-21)	1)CARE A+ (CE); Negative (07-Oct-20)
2	Non-fund-based-Long term	LT	3.20	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE BBB+ (CE); Negative (05-Nov-21)	1)CARE A- (CE); Stable (07-Oct-20)
3	Fund-based - ST-Bank overdraft	ST	9.71	CARE A3+	-	1)CARE A3+ (23-Jan-23)	1)CARE A3+ (CE) (05-Nov-21)	1)CARE A2+ (CE) (07-Oct-20)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)Withdrawn (01-Apr-22)	1)CARE BBB-; Stable / CARE A3 (05-Nov-21)	1)CARE A- (CE); Stable / CARE A1 (CE) (07-Oct-20)
5	Fund-based - ST-Bank overdraft	ST	-	-	-	-	-	1)Withdrawn (07-Oct-20)
6	Fund-based - ST-Working capital demand loan	ST	-	-	-	-	-	1)Withdrawn (07-Oct-20)
7	Non-fund-based-LT/ST	LT/ST	72.30	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (23-Jan-23)	1)CARE BBB+ (CE); Negative / CARE A2 (CE) (05-Nov-21)	1)CARE A- (CE); Stable / CARE A1 (CE) (07-Oct-20)
8	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	35.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable / CARE A3+	1)CARE A (CE); Negative /	1)CARE A+ (CE); Negative /

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
				/ CARE A3+		(23-Jan-23)	CARE A1 (CE) (05-Nov-21)	CARE A1+ (CE) (07-Oct-20)
9	Fund-based - ST-Bank overdraft	ST	-	-	-	-	1)Withdrawn (05-Nov-21)	1)CARE A1 (CE) (07-Oct-20)
10	Fund-based - LT-Term loan	LT	-	-	-	-	-	1)Withdrawn (07-Oct-20)
11	Non-fund-based - LT-Bank guarantee	LT	58.61	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE A (CE); Negative (05-Nov-21)	1)CARE A+ (CE); Negative (07-Oct-20)
12	Non-fund-based - LT-Bank guarantee	LT	787.97	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE A (CE); Negative (05-Nov-21)	1)CARE A+ (CE); Negative (07-Oct-20)
13	Non-fund-based - LT-Bank guarantee	LT	-	-	-	-	-	1)Withdrawn (07-Oct-20)
14	Non-fund-based - LT-Bank guarantee	LT	86.98	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE A (CE); Negative (05-Nov-21)	1)CARE A+ (CE); Negative (07-Oct-20)
15	Non-fund-based - LT-Bank guarantee	LT	743.16	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Jan-23)	1)CARE A (CE); Negative (05-Nov-21)	1)CARE A+ (CE); Negative (07-Oct-20)
16	Non-fund-based - LT-Bank guarantee	LT	-	-	-	-	-	1)Withdrawn (07-Oct-20)
17	Fund-based - ST-Bank overdraft	ST	-	-	-	-	1)Withdrawn (05-Nov-21)	1)CARE A1 (CE) (07-Oct-20)
18	Fund-based - LT-Term loan	LT	-	-	-	-	-	1)Withdrawn (07-Oct-20)
19	Unsupported rating-Unsupported rating (Long term)	LT	-	-	-	1)Withdrawn (23-Jan-23)	1)CARE BBB- (05-Nov-21)	1)CARE BBB (07-Oct-20)
20	Unsupported rating-Unsupported rating (Short term)	ST	-	-	-	1)Withdrawn (23-Jan-23)	1)CARE A3 (05-Nov-21)	1)CARE A3+ (07-Oct-20)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank overdraft	Simple
2	Non-fund-based - LT-Bank guarantee	Simple
3	Non-fund-based - LT/ ST-Bank guarantee	Simple
4	Non-fund-based-Long term	Simple
5	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: 91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Agnimitra Kar Associate Director **CARE Ratings Limited** Phone: 91-120-445 2019 E-mail: agnimitra.kar@careedge.in Pranav Bothra Rating Analyst **CARE Ratings Limited** E-mail: pranav.bothra@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in