APRIL 09, 2015

CARE ASSIGNS 'CARE BBB+' AND 'CARE A2' RATINGS TO THE BANK FACILITIES OF BGR ENERGY SYSTEMS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	3,111	CARE BBB+ (Triple B Plus)	Assigned
Long-term/Short-term Bank Facilities	8,590	CARE BBB+/CARE A2 (Triple B Plus/A Two)	Assigned
Total facilities	**11,701**		

Rating Rationale

The ratings assigned to the bank facilities of BGR Energy Systems Limited (BGRE) factor in BGRE's long operational track record and established position in the power projects business with demonstrated project execution track record, in-house design and engineering capabilities for most of the BOP sub-systems, healthy order-book which provides revenue visibility in the medium term and the favourable long-term business prospects in the power sector in India. The ratings are constrained by the execution delays in many of the on-going projects which has impacted the company's growth in the last three year period ended March 2014, uncertainty with respect to investments in Joint ventures (JVs) and likely impact on profitability, high working capital intensity as a result of stretched collection cycle and impact of profitability due to fluctuation in cost of raw materials/bought-outs and foreign currency movements for fixed price contracts.

Going forward, company's ability to execute the current order book in hand in a timely manner and win large-sized EPC/ BTG contracts in a highly competitive scenario remains critical for the growth prospects of BGRE. In addition, timely realization of receivables, improvement in profitability and diversification of order book would be important for the company.

Background

BGR Energy Systems Limited (BGRE) was originally incorporated in 1985, under the name of 'GEA Energy System (India) Limited', as a Joint Venture (JV) between GEA Energietechnik GmbH, Germany (GEA) and Mr. B.G. Raghupathy. Over the years, Mr. Raghupathy acquired GEA's equity holding and the company went through various name changes and became BGR Energy Systems Limited (BGRE) in 2007. Further to this, BGRE was listed on both BSE & NSE in January 2008. BGRE specializes in executing Engineering, Procurement and Construction (EPC) contracts providing Balance of Plant (BOP) as well as integrated turnkey solutions encompassing design, engineering, procurement, construction and project management services for power & electrical projects through its Power Project Division (PPD). Besides, BGRE is also into manufacture and supply of systems and equipment such as heat exchangers, pressure vessels, condensers, high frequency resistance welded finned tubes, deaerators, and pipeline equipment used in the power, oil and gas, refinery and process industries through its other divisions. PPD has been the major contributor for BGRE's income and order book with more than 90% share.

During FY14 (refers to the period April 1 to March 31), the company reported PAT of Rs. 110 crore on a total operating income of Rs. 3,296 crore. During 9M FY'15((refers to the period April 1 to December 31), BGRE reported PAT of Rs 33 crore on a total operating income of Rs 2,319 crore.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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