

BHEL Electrical Machines Limited

December 02, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	-	-	Revised to CARE BB; Stable (Double B; Outlook : Stable) from CARE BB+; Stable (Double B Plus; Outlook: Stable) and Withdrawn
Short-term Bank Facilities	-	-	Revised to CARE A4 (A Four) from CARE A4+ (A Four Plus) and Withdrawn
Total Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has revised the ratings assigned to the bank facilities of BHEL Electrical Machines Limited (BEML) from 'CARE BB+; Stable/CARE A4+' (Double B Plus; Outlook: Stable/ A Four Plus) to 'CARE BB; Stable/CARE A4' (Double B; Outlook: Stable/A Four) and withdrawn the same with immediate effect. The revision in ratings takes into account the deterioration in the financial performance of the company in FY19 (A). The withdrawal in rating is at the request of BEML and a 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Financial profile marked by continued loss making operations:

The operating income stood small at Rs. 18.77 crore in FY19. With higher amount of fixed costs such as employee expenses and power costs, provisions created for liquidated damages and doubtful assets, the company continued to report operating loss of Rs.4.98 crore in FY19 as against operating loss of Rs.5.86 crore in FY18.

Weak capital structure and liquidity profile:

Due to continued losses over the past, the networth of the company had eroded and stood negative at Rs.13.73 crore. The collection period stood at 59 days and inventory period stood at 55 days in FY19.

Key Rating Strengths

Diversified product mix and presence in the niche market in the Power Car Segment in India, BHEL-EML is the main producer of 570 KVA power cars along with Kirloskar Electric Company Limited and Deev Genset Private Limited. The product is used by the Indian Railways (coach building factories). Other than power car, the train lighting alternator is one of the major products of BHEL-EML. The train lighting alternators and power car together contributed 62% (PY: 73%) of the total income for FY19.

Analytical approach: Not Applicable

Applicable Criteria

[Policy on Withdrawal of ratings](#)

About the Company

BHEL-EML was incorporated on January 19, 2011, as a joint venture between BHEL and Government of Kerala (GoK) by equity participation of 51% and 49%, respectively. Subsequently, BHEL-EML took over the operations of Kasaragod unit of Kerala Electrical and Allied Engineering Co Ltd. BHEL-EML, is engaged in the manufacturing, marketing and servicing of electrical machineries such as Power Car, Brushless AC generators, Induction motors, Alternators, DG sets, etc. The company majorly supplies to Indian Railways and BHEL. During the Board Meeting of BHEL held on May 25, 2018, the Board of Directors of BHEL had approved the transfer of BHEL's 51% stake in BHEL-EML to GoK which holds 49% of stake in BHEL-EML.

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	14.74	18.77
PBILDT	-5.86	-4.98
PAT	-6.02	-5.46
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (28-Aug-18)	1)CARE BB+; Stable (04-Aug-17)	1)CARE BBB-; Negative (06-Jan-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A4+ (28-Aug-18)	1)CARE A4+ (04-Aug-17)	1)CARE A3 (06-Jan-17)
3.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A4+ (28-Aug-18)	1)CARE A4+ (04-Aug-17)	1)CARE A3 (06-Jan-17)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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