



Rating Rationale

BGR Energy Systems Limited

11th August 2017

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹ 9921.00 Crs of BGR Energy Systems Limited (BGR or the ‘Company’).

Particulars

Facility Rated	Amount (₹ Crs)		Tenure	Ratings [^]	
	Previous	Present		Previous (2-8-2016)	Present
Fund Based	2,947	3,523	Long Term	BWR BBB+ (Outlook:Stable)	Upgraded to BWR A- (Outlook:Stable)
Non – Fund Based	7,229	6,398	Short Term	BWR A2	Upgraded to BWR A2+
Total	10,176	9,921	(Rupees Nine Thousand Nine Hundred and Twenty One Crores Only)		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Upgraded to A- (Outlook: Stable) / A2+

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating continues to derive strength from established market position of BGR as an EPC contractor for power projects, experienced and professional management supported by experienced Board of directors, strong order book of more than ₹ 9000 Crs indicating revenue visibility for next two years and minimal counterparty risk from customers most of them being PSUs. However, the ratings are constrained by high receivable days which are normal for this line of business on account of long tenor of projects as well as delay in realization of retention money/payments from state power utilities and partially offset by the payments to some suppliers and subcontractors being made only after receipt of payments from the customers. Going forward, the Company’s ability to maintain revenue in competitive circumstance, improving profitability margin and ensuring timely recovery of receivables and retention money will be the key rating sensitivities.



Rating Outlook: Stable

BWR believes the BGR Energy Systems Limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

BGR Energy Systems Limited (BESL) is a listed company and was incorporated in 1985 as GEA energy System India Pvt ltd, as a joint venture between GEA Energie technik GmbH, Germany and the Promoter, Mr. B. G. Raghupathy to manufacture and sell On-line Condenser Tube Cleaning Systems, Debris Filters and Rubber Cleaning Balls used in Thermal and Nuclear Power Plants. In 1993, BGR family became the sole shareholders of the Company as the joint venture partner exited the business. On June 28, 2007 the Company name was changed from GEA Energy System (India) Limited, to BGR Energy Systems Limited.

Management Profile:

Ms Sasikala Raghupathy is the Chairman of the Company and has been associated with the Company as a Director since it was found. Mr. A. Swaminathan is the Joint Managing Director and CEO, Mr. V. R. Mahadevan is the Joint Managing Director, Mr. Arjun Govind Raghupathy, is the Deputy Managing Director and Chief Operating Officer is the son of Company's founder Mr. B.G.Raghupathy, Ms. Swarnamugi Karthik, is the Director for Corporate Strategy and Other board of directors are Mr. Heinrich Bohmer, Mr. M. Gopalakrishna, Mr. S.A. Bohra, Mr. S. R. Tagat and Mr. Gnana Rajasekaran.

Financial Performance

The Company has recorded operating income of ₹ 3438.04 Crs in FY17 against ₹ 3238.09 Crores in FY16 registering a 6.17% increase over the previous year. Similarly, PAT of ₹ 44.15 Crs has been achieved in FY17, against PAT of ₹ 27.21 Crs in FY16.



Rating History for the last three years (including withdrawn/suspended ratings)

Sl No	Instrument / Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2-8-2016	20-7-2015	21-1-2014
1	Fund Based	Long Term	3,523	BWR A- (Outlook: Stable)	BWR BBB+ (Outlook: Stable)	BWR BBB+ (Outlook: Stable)	BWR BBB+ (Outlook: Stable)
2	Non Fund Based	Short Term	6,398	BWR A2+	BWR A2	BWR A2	BWR A2

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the



Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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