



**Press Release**  
**TBEA ENERGY INDIA PRIVATE LIMITED**  
**July 14, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	250.25	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	749.75	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	1000.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**ACUITÉ BB+**' (read as **ACUITE Double B Plus**) and short term rating of '**ACUITÉ A4+**' (read as **ACUITE A Four Plus**) on the Rs. 1,000.00 Cr. bank facilities of TBEA Energy (India) Private Limited (TEIPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into consideration the experience of the management and the parent support which is in the form of funded capital, along with improvement in the healthy order book which is likely to draw traction to increment in revenue for FY24 and FY25. However, the rating is constrained due to the below average financial risk profile and the working capital intensive nature of operations.

**About the Company**

TBEA Energy (India) Private Limited is a wholly owned subsidiary of TBEA Shenyang Transformer Group Company Limited, China. The company has been set up with an objective to have Ultra-Modern Automated Manufacturing facility / Works for EHV Power Transformers, Reactors, Instrument Transformers, Gas Insulated Switchgear and other Electrical Equipment's in India to serve the Indian Power Transmission Sector. TBEA Energy (India) Pvt. Ltd., Green Energy park, is the 15th Industrial Park of TBEA Group, and First outside China. The Facility is capable of Design, Manufacturing and Testing up to 1200 KV class of Transformers(HVAC/ HVDC) and Reactors. EPC business of TBEA Energy (India) Ltd. is operating from this Facility, having capability of taking turnkey projects of up to 765kV AIS and GIS.

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of TEIPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

Experienced Management & Parent Support

TEIPL's management possesses requisite experience which has enabled the company to grow since its incorporation in 2014. The same is reflected in the increase in revenue of ~55 percent

from FY21 to FY22. Further, the company draws strong technical, operational and management support from its parent company – TBEA Shenyang Transformer Group Company Limited, China. The capital of the company is funded by the parent in the form of equity and external commercial borrowing (ECB). The company is also in the process of classifying the ECB as Quasi Equity basis of the communication from the parent, wherein, the parent is not likely to demand for the repayment of the loan. The reclassification of the ECB as Quasi Equity is likely to result in increase in Net Worth.

Acuité believes that the company will continue to benefit from the management's experience and the parent support in improving its business risk profile over the medium term.

### **Healthy Order Book**

The company has healthy order book position of approx. Rs. 1,385.78 Cr as on March 31, 2023 which includes domestic orders and export orders. Further, the company has around Rs. 300 crore of order under negotiation. This draws comfort to the revenue visibility over the next two financial years (FY24 and FY25). The company has reputed clientele which includes government entities and also large private conglomerates.

Further, the company recorded revenue of Rs. 1032.35 crore for FY23 (Prov.) as against Rs. 1,371.06 Cr for FY22 as against Rs. 881.59 Cr for FY21. The primary reason for the increase in revenue in FY22 is due to completion of orders that were received in FY20 & FY21. The decline in revenue in FY23 is due to depletion in order book in FY22 which translated to lower revenue in the current fiscal year. However, with the improvement in order book in current fiscal years, revenue are expected to improve in coming fiscal years.

Acuité believes that the company's revenue may increase over FY24 and FY25 sighting the healthy order book as on date and the reputed clientele that the company supplies to.

### **Weaknesses**

#### **Below Average Financial Risk Profile**

TEIPL's financial risk profile is below average, marked by low net worth, high gearing, and modest debt protection metrics. Due to net losses reported during last three consecutive years, TEIPL's net worth has experienced severe erosion during FY22, FY21 and FY20, and stood at Rs. 267.98 Cr as on March 31, 2022 against Rs. 392.63 Cr as on March 31, 2021, and against, Rs. 497.03 Cr as on March 31, 2020. This has also resulted in highly leveraged capital structure marked by gearing (debt-to-equity) of 3.50 times as on March 31, 2022 against 2.36 times as on March 31, 2021. Further, the TOL/TNW stood high at 7.19 times, as on March 31, 2022, against 4.91 times respectively as on March 31, 2021. Debt protection metrics are inadequate, reflected in its interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 0.23 times and (0.07) times, respectively, in FY22 vis-à-vis 0.26 times and (0.06) times for FY21. The DSCR during the same period stood stretched at 0.24 times and 0.26 times respectively. However, the company does not avail of any long term debt funding.

Acuité believes that gradual and steady improvement in the financial risk profile will remain critical for overall business growth of TEIPL.

#### **Working Capital Intensive Operations**

The operations of TEIPL are highly working capital intensive marked by its Gross Current Assets (GCA) days of 305 days for FY22 as against 448 days for FY21. Whilst the company recorded improvement in GCA days over the past year, the GCA days do remain high. This is on account of its elongated receivable cycle which stood at 214 days in FY22 as against 213 days in FY21. However, the average bank limit utilization for 6 months' period ended December 2022 stood low at ~18 percent for fund based limits and ~31 percent for non-fund based limits. The inventory cycle of the company stood at 23 days in FY22 as against 51 days in FY21. Further, the creditors also stood improved at 183 days in FY22 as against 193 days in FY21.

Acuité believes TEIPL's ability to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

### **ESG Factors Relevant for Rating**

The electrical equipment industry is primarily exposed to risks associated with material

efficiency, amount of hazardous waste generated, energy efficiency, waste & environmental management and decarbonized energy are crucial environmental key issues in manufacturing of electrical equipment. Additionally, offering green products and its green supply chain are the key material issues for this industry. Employee safety, employment quality and community support & development are significant social issues in the manufacturing of electrical equipment industry. Additionally, key material issues such as responsible procurement, product safety & quality, human rights, equal opportunity & employee development can influence social scores. The company adheres to manufacturing with consistent cost control and quality assurance.

### **Rating Sensitivities**

- Further elongation of working capital cycle
- Further deterioration in financial risk profile
- Improving profitability

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The company has adequate liquidity even though the company has been recording negative net cash accruals. The company does not avail of any long term debt funding, thus, there are no maturing debt obligations to service. The company generated negative net cash accruals of Rs. (67.52) Cr. in FY22. The company maintains an unencumbered cash and bank balances of Rs. 114.11 Cr as on March 31, 2022. Also, the company holds unencumbered liquid investments to the tune of Rs. 128.19 Cr. The current ratio of the group stood at 0.87 times as on March 31, 2022. The average bank limit utilization for company stood at ~18 percent for fund based limits and ~31 percent for non-fund based limits for the 6 months ended December 2022.

ACUITE believes, liquidity position of the company to remain adequate over the near term sighting high unencumbered cash balances and liquid investments.

### **Outlook: Stable**

Acuité believes the outlook on TEIPL will remain 'Stable' over the medium term on the back of favourable order book. The outlook may be revised to 'Positive' if the company is able to turn profitable and record positive net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of further losses or deterioration of financial risk profile.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1371.06	881.59
PAT	Rs. Cr.	(125.90)	(117.51)
PAT Margin	(%)	(9.18)	(13.33)
Total Debt/Tangible Net Worth	Times	3.50	2.36
PBDIT/Interest	Times	0.23	0.26

### Status of non-cooperation with previous CRA (if applicable)

Brickworks vide its press release dated 14.11.2022, had downgraded the company to BWR BB+/A4+; Issuer not cooperating.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	175.00	ACUITE A4+   Assigned
HSBC	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	22.50	ACUITE A4+   Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A4+   Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A4+   Assigned
Deutsche Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	296.00	ACUITE A4+   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB+   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BB+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	71.25	ACUITE A4+   Assigned
Deutsche Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	79.00	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	15.00	ACUITE BB+   Stable   Assigned
HSBC	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	58.25	ACUITE BB+   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	18.00	ACUITE BB+   Stable   Assigned
HDFC	Not	Working Capital Demand Loan	Not	Not	Not	Simple	15.00	ACUITE BB+

Bank Ltd	Applicable	(WCDL)	available	available	available			Stable   Assigned
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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