



# भारत हेवी इलेक्ट्रिकल्स लिमिटेड

## Bharat Heavy Electricals Limited

6<sup>th</sup> July 2020

### DISCLOSURE ON CREDIT RATING TO STOCK EXCHANGE BY BHEL

M/s India Ratings & Research has revised the rating on the long term bank facilities of Bharat Heavy Electricals Ltd (BHEL) to 'IND AA' from 'IND AA+' and reaffirmed the outlook to 'Negative'. The rating on the short term facilities have been reaffirmed at 'IND A1+'. The instrument wise ratings are as under:

| Bank Facilities   | Rating Action   | Primary reason mentioned by the Rating Agency  |
|-------------------|---|--|
| Long-Term Rating  | IND AA/ Negative<br><br>(Rating downgraded from 'IND AA+' to 'IND AA';<br><br>Outlook reaffirmed to 'Negative') | BHEL's rating downgrade and negative outlook factors in continued weaker than expected performance (driven by delays in execution of orders, exacerbated by the disruption caused by the COVID-19), prospects of subdued order book (unlikely to see a quick turnaround on account of excess capacity in the sector, which is also reflected in continued erosion of margins), persistently high working capital cycle, muted success in diversification, and likelihood of deterioration in the balance sheet strength. Working capital intensity has increased with adverse contract terms on mobilization advances, rising contract assets, and delays in collections (leading to reduction in net cash balances). The envisaged diversification initiatives have yet to see meaningful progress and margins remain lower than power segment. |
| Short-Term Rating | IND A1+(Reaffirmed)   |  |