

Boilers & turbines

Industry Code (as per CMIE Prowess): 0101014001100000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 7 Companies

Median Rating Value of sample size: AA-

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

The slowdown in thermal power capex programmes has impacted the performance of the domestic boilers and turbine manufacturers. The replacement capex requirements of old power plants may partly offer some support to these players over the near term. The industry reported a 23.4% growth in sales revenues in the December 2021 quarter as compared to a year ago. Production of steam & other vapour turbines rose by 3% y-o-y in January 2022. The long term prospects of the sector are moderately positive due to necessary upgradation of existing thermal power plants and fresh capacity addition in the wind power segment.

Extent of Competition



12/20

Neutral

The industry is highly capital intensive and that increases entry barriers for newer players and reduces the extent of competition. Traditionally, large and vintage players exist in this sector as they enjoy pricing power domestically. BHEL is the leading domestic player along with a clutch of other private sector players like Thermax Babcock Wilcox P. Ltd, & Triveni Turbines Ltd. The thermal power sector which is the key user sector has relied on cheaper imports from China which will continue to be a significant threat to domestic players. Most of the private power generation units have relied extensively on imports for their equipment needs.

Regulatory Risk



12/20

Predictable Regulatory environment

Import substitution policies advocated by the government under the "Atma Nirbhar" programme will be beneficial to the sector since it is part of the capital goods segment.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Any supply chain linkages of the sector due to import dependence from China in particular can make the sector vulnerable to geo-political risks.