

# Heavy Electrical Equipment

Industry Code (as per CMIE Prowess): 0101014005050000'

June 2022

Overall Industry Risk Score: **12/20 | Marginally Favourable**

Sample Size: 30 Companies

Median Rating Value of sample size: BBB

## Individual Parameters Contributing to the Score

### Demand & Supply Balance



8/20

Moderate Over Supply

The demand from the transmission and the distribution (T&D) segment is likely to remain healthy with a blip due to the pandemic given the outlay on electrification. The Government initiatives like Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY) are expected to support the demand for the power equipment. As per CMIE data, the industry reported ~23% y-o-y growth in sales revenue from Rs.58 billion in March 2021 quarter to Rs.71 billion during the quarter ended March 2022. In FY22, the exports value of transformers, switchgears and generators grew by 29.6%, 31.2% and 30.6% respectively as compared to FY21. The demand from the industrial segment is expected to improve on the back of economic recovery and strong demand prospects from the power system equipment.

### Extent of Competition



12/20

Neutral

The level of competition is fairly high for government tenders. At the lower end of distribution of transformer market there is some fragmentation, though there are large organised players like Toshiba, BHEL ABB, CG Power & others.

## Regulatory Risk



12/20

Predictable Regulatory environment

The continuing focus on T&D and the upgradation of existing network by the central government will continue to support demand. However, the weak financial position of the state power distribution companies will remain as a constraint.

## Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

While profitability has been impacted in FY21 due to lower execution and demand, no major supply constraints are expected to be seen in the near to medium term. The labour issues seen during the pandemic have been resolved to a great extent. However, an expected tightness in steel prices may continue to put pressure on profitability levels.