



July 11, 2024

Department of Corporate Services
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 532717

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol: INDOTECH

Sub: Intimation of Reaffirmation of Credit Rating

Dear Sir/ Madam,

Pursuant to Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we hereby submit the summary of reaffirmation of credit rating from ICRA as tabulated below:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Non-fund Based	220.00	330.00	[ICRA]A3; reaffirmed/ assigned for enhanced limit
Long-term Fund-based - Cash Credit	36.00	41.00	[ICRA]BBB- (Stable); reaffirmed/ assigned for enhanced limit
Long-term Term Loan	18.00	18.00	[ICRA]BBB- (Stable); reaffirmed
Total	274.00	389.00	

The rating letter and rationale for reaffirmation has been annexed to this letter. The rationale for reaffirmation shall also be made available on ICRA's website.

We request you to take the same on record and oblige.

Yours faithfully,
For Indo Tech Transformers Limited

Manikandan M
Company Secretary & Compliance Officer

INDO TECH TRANSFORMERS LIMITED

A Subsidiary of **Shirdi Sai Electricals Limited**

CIN : L29113TN1992PLC022011

Regd. Off. : S.No. 153-210, Illuppapattu Village, P.O. Rajakulam,
Kancheepuram (Dist), Tamilnadu, India - 631 561

Tele/Fax : +91 (0) 44 - 2728 1858

Email : info@indo-tech.com

www.indo-tech.com

Ref: ICRA/Indotech Transformers Limited/10072024/1

Date: July 10, 2024

Mr. Saikrishnan
Chief Financial Officer
Indotech Transformers Limited
S.No. 153-210, Illuppapattu Village,
P.O. Rajakulam, KM. 64,
Chennai Bangalore Highway,
Kancheepuram- 631561

Dear Sir,

Re: Surveillance of ICRA-assigned Credit Rating for Rs. 389.0 crore (enhanced from Rs. 274.0 crore) Bank Facilities of Indotech Transformers Limited

Please refer the Rating Agreement between ICRA Limited ("ICRA") and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant. Further, please refer Statement of work dated May 07, 2024, seeking an enhancement of the captioned limit(s) of bank facilities of your company from Rs. 274.0 crore to Rs. 389.0 crore.

Please note that the Rating Committee of ICRA, after due consideration, has retained the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) and the short-term rating at [ICRA]A3 (pronounced ICRA A three) assigned earlier to the Rs 274.0 crore bank facilities of your Company, and has assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) and the short-term rating at [ICRA]A3 (pronounced ICRA A three) to the captioned bank facilities ("Rating") of Rs. 115.0 crore bank facilities. The Outlook on the long-term rating is Stable. For Rating definition(s), please refer to ICRA website at www.icra.in.

In any of your publicity material or other document wherever you are using the above Ratings, it should be stated as [ICRA]BBB-(Stable)/[ICRA]A3.

The aforesaid Ratings will be due for surveillance any time before July 04, 2025. However, ICRA reserves the right to review and/or, revise the above Ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Ratings. Therefore, request the lenders and investors to visit ICRA website at www.icra.in for latest Ratings of the Company.

The Ratings are specific to the terms and conditions of the bank facilities as indicated to us by you, and any change in the terms or size of the same would require a review of the Ratings by us. In case there is any change in the terms and conditions or the size of the rated bank facilities, the same must be brought to our notice before the bank facilities is used by you. In the event such changes occur after the Ratings have been assigned by us and their use has been confirmed by you, the Ratings would be subject to our review, following which there could be a change in the Ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the bank facilities from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.



ICRA reserves the right to review and/or, revise the above Ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Ratings assigned.

The Ratings assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated bank facilities availed/issued by your Company.

The Ratings assigned to the bank facilities of your Company shall require revalidation if there is any change in the size or structure of the rated bank facilities.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the Company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

Vikram V
Vice President
Co-Group Head – Corporate Ratings

Annexure
Instrument Details

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
	Fund-based facilities		
State Bank of India	26.0	[ICRA]BBB- (Stable)	July 05, 2024
Bank of Baroda	10.0	[ICRA]BBB- (Stable)	July 05, 2024
IndusInd Bank Limited	5.0	[ICRA]BBB- (Stable)	July 05, 2024
Total	41.0	[ICRA]BBB- (Stable)	July 05, 2024

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
	Term Loan		
State Bank of India	18.0	[ICRA]BBB- (Stable)	July 05, 2024
Total	18.0	[ICRA]BBB- (Stable)	July 05, 2024

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
	Letter of Credit		
State Bank of India	50.0	[ICRA]A3	July 05, 2024
Bank of Baroda	15.0	[ICRA]A3	July 05, 2024
IndusInd Bank Limited	29.0	[ICRA]A3	July 05, 2024
	Bank Guarantee		
State Bank of India	109.0	[ICRA]A3	July 05, 2024
Bank of Baroda	78.0	[ICRA]A3	July 05, 2024
IndusInd Bank Limited	49.0	[ICRA]A3	July 05, 2024
Total	330.0	[ICRA]A3	July 05, 2024

July 10, 2024

Indotech Transformers Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term – Non-fund based	220.00	330.00	[ICRA]A3; reaffirmed/assigned for enhanced limit
Long term – Fund based - Cash credit	36.00	41.00	[ICRA]BBB- (Stable); reaffirmed/assigned for enhanced limit
Long term – Term loan	18.00	18.00	[ICRA]BBB- (Stable); reaffirmed
Total	274.00	389.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings factors in Indotech Transformers Limited's (ITL) healthy financial risk profile, characterised by sustained healthy revenue growth, improved profit margins and comfortable debt coverage indicators.

The ratings also factor in the order book position of ~Rs. 700 crore as of June 2024 to be executed by March 2025-end, which provides near-term revenue visibility. The company's revenues are expected to grow at a healthy rate in FY2025, given its order book position and a robust order inflow expected in the current fiscal on the back of strong demand from renewables. The operating margins are also expected to remain healthy at ~14% plus, aided by scale benefit. Further, the ratings derive comfort from the extensive experience of the promoter group, Shirdi Sai Electricals Limited (SSEL; rated [ICRA]BBB- (Stable)/[ICRA]A3), and ITL's proven operational track record in the transformer industry spanning nearly three decades.

However, the ratings are constrained by high customer concentration risk with the top 10 customers accounting for 62% of the total sales in FY2024. Nonetheless, the counterparty risk remains low owing to its reputed clientele. Further, ITL operates in the transformer industry, which is highly fragmented and competitive, resulting in pricing pressures to some extent. The ratings also consider the high working capital intensity of operations and the susceptibility of profitability to the volatility in raw material prices. However, ICRA notes that ~50% of the order mix includes a price variation clause, which mitigates the risk to some extent.

The Stable outlook on the rating reflects ICRA's expectation that ITL will continue to maintain its credit profile, backed by expected sustained revenue growth, and comfortable debt coverage indicators and liquidity position.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and ITL's proven track record – ITL's promoter - SSEL – has a vast experience in the transformer industry, spanning nearly three decades. This, coupled with its extensive presence and proven operational track record in the power and distribution transformer industries, will help establish better relationships with customers and gain new orders. ITL also derives synergistic benefits in procuring raw material at economical prices and economies of scale through joint sourcing, joint lead generation and reduction in manufacturing cost.

Healthy increase in scale and improved margins; strong order book position – In FY2024, the company reported an operating income of ~Rs. 504 crore, a growth of 36%, driven by healthy demand from the capex related to grid strengthening and renewable energy capacity addition. The company had incurred capex in FY2024 to increase the installed capacity to 10,000 MVA from 7,000 MVA. The company's order book stood at ~Rs. 700 crore as of June 2024, which is 1.4 times the operating income reported in FY2024, providing healthy revenue visibility in FY2025. In the current fiscal, the revenue growth momentum will continue, aided by a strong order book position and enhanced production capacity. Further, the operating margin rose to ~14% in FY2024 from ~10% in FY2023, supported by an improved scale of operations. The expected increase in scale is likely to further improve the profitability in FY2025.

Comfortable capital structure and debt coverage metric – ITL's capital structure remains comfortable, aided by its healthy net worth position (Rs. 217 crore as on March 31, 2024) and relatively low dependence on fund-based bank borrowings. The capital structure was robust, as illustrated in TOL/TNW of 0.7 times as on March 31, 2024. The company plans to incur a capex of Rs. 10.00 crore over FY2025, which will be predominantly funded through a term debt. The debt protection metrics are expected to remain comfortable in FY2025, with an estimated interest coverage of 4.8 times and DSCR of 3.77 times.

Credit challenges

High client concentration risk– ITL's revenue from the top 10 clients accounted for around 62% of the total revenues in FY2024 against 61% of the revenues in FY2023, exposing the company to client concentration risk. However, the counterparty risk remains low owing to its reputed clientele, including Adani Energy Solutions Limited, Tata Power Solar, Avaada Power, SAEL Limited etc. and LC-backed sales to most private players. Further, the established relationship with the customers and the execution track record ensure repeat business.

Industry competition– Even though ITL's profit margins improved in FY2023 and FY2024, it continues to be modest due to the competitive pressures. ITL operates in the transformer industry, which is highly fragmented and competitive, limiting its pricing flexibility and margins.

Volatility in raw material prices – ITL's profitability remains exposed to the volatility in raw material prices. Nonetheless, 50% of the contracts in the current order book have price escalation clauses based on the published indices, thereby protecting the margins to an extent. Additionally, ITL exhibits a moderately high working capital intensity (22% in FY2024), inherent in the industry it operates in due to the high receivable period and inventory requirements.

Environmental and Social considerations:

Environmental considerations - The company is exposed to the risk of tightening environmental regulations related to emissions and waste generated from its manufacturing process. It also has a robust waste management system for efficient waste segregation to meet the regulatory requirements. Any disruption in its environmental-related policies can attract significant fines or punitive actions from the regulators.

Social considerations - As a labour-intensive operation, the company is exposed to risks related to disruptions in human resource management, workplace safety and overall employability. The company is also susceptible to the risk of shortage of skilled manpower, which can have an impact on its operations. The recent impact of strike by workers regarding wage hikes had impacted operations for a month. However, the company has implemented measures to address employee welfare, including a social accountability policy.

Liquidity position: Adequate

ITL's liquidity position remains adequate as the company has cushion in the form of unutilised fund-based working capital facility (average utilisation remains at 37% in the past 12 months ended April 2024). The company has monthly LC maturities

of about Rs. 10 crore per month lined up in the near term. However, the estimated cash flows are expected to remain adequate and will facilitate the debt obligations, going forward.

Rating sensitivities

Positive factors – The ratings could be upgraded if the credit profile of the parent improves coupled with a sustained improvement in the operating parameters and profitability.

Negative factors – The ratings could be revised downwards if a deterioration in the scale and profitability weakens the key credit metrics or SSEL’s credit profile. Also, any stretch in the working capital position or any large debt-funded capex that weakens the liquidity position could exert pressure on the ratings. A specific credit metric for downgrade would be an interest coverage of less than 2.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Shirdi Sai Electricals Limited (SSEL); 75% stake in ITL ICRA expects SSEL to be willing to extend financial and operational support, should there be a need
Consolidation/Standalone	The ratings are based on the standalone financials of Indotech Transformer Limited

About the company

ITL, incorporated in 1992, manufactures power and distribution transformers and various special application transformers and mobile sub-station transformers. The company's manufacturing plants are in Chennai and Kancheepuram in Tamil Nadu. ITL is a subsidiary of Shirdi Sai Electricals Limited, and SSEL currently holds a 75% stake in ITL. SSEL bought stake from ITL's erstwhile promoters - Prolec GE (a joint venture between Mexican industrial group Xignux S.A. de C.V., and General Electric Company).

Shirdi Sai Electricals Limited (SSEL; rated [\[ICRA\]BBB-\(Stable\)/\[ICRA\]A3](#)), incorporated in 1994, manufactures power and distribution transformers (up to 20 MVA, 66 kV). The company has a transformer manufacturing facility at Kadapa, Andhra Pradesh. It designs and manufactures power and distribution transformers to cater to the needs of electricity utilities and private enterprises. SSEL also provides solutions for power transmission and distribution systems through its turnkey project division.

Key financial indicators (audited)

ITL	FY2023	FY2024
Operating income	371.2	504.0
PAT	25.7	46.9
OPBDIT/OI	10.0%	13.7%
PAT/OI	6.9%	9.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	0.3	0.1
Interest coverage (times)	4.4	5.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	
			Jul 10, 2024	Jul 07, 2023	Jan 05, 2023	Jul 18, 2022	Mar 07, 2022	Aug 16, 2021
1 Cash credit	Long-term	41.00	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	[ICRA]BB (Stable)
2 Non-fund based limits	Short-term	330.00	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	[ICRA]A4
3 Term loan	Long-term	18.00	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	-
4 Unallocated limits	Short-term	0.00	-	-	[ICRA]A3	[ICRA]A3	[ICRA]A4+	[ICRA]A4
5 CEL	Long-term	0.00	-	-	-	-	[ICRA]BB+ (Positive)	-
6 Issuer rating	Long-term	-	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	[ICRA]BB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Non-fund based limits	Very Simple
Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund based limits- Letter of credit	NA	NA	NA	94.00	[ICRA]A3
NA	Non-fund based limits- Bank guarantee	NA	NA	NA	236.00	[ICRA]A3
NA	Term loan	FY2022	NA	FY2028	18.00	[ICRA]BBB- (Stable)
NA	Cash credit	NA	NA	NA	41.00	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Sanket Thakkar

+91 79 6923 3066

sanket.thakkar@icraindia.com

Menka Sabnani

+91 79 6923 3003

menka.sabnani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



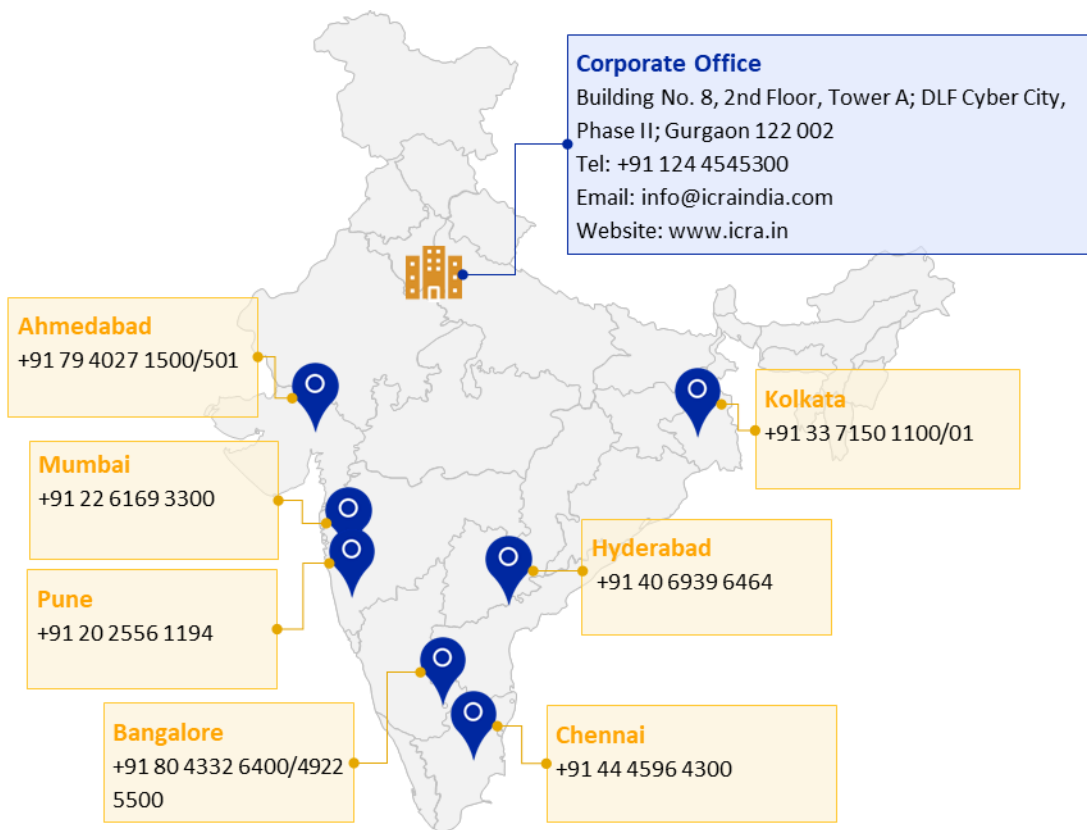
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.