



August 28, 2019

Department of Corporate Services  
**Bombay Stock Exchange Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 023  
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 Downgraded Revision in 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 that there is a downgraded revision of credit rating as tabulated below:

Nature of Instrument	Instrument Name	Rated Amount (Rs in Crores)	Earlier Rating	Revised Rating Action
Long-term – Fund-based	Cash credit	6.50	[ICRA]BBB- (Negative)	[ICRA] BB+ (Negative)
Short-term – Non-fund based	Bank Guarantee	74.00	[ICRA] A3	[ICRA]A4+
Short-term – Interchangeable	Unallocated	12.00	[ICRA]A3	[ICRA]A4+
Issuer Rating	Issuer Rating	-	[ICRA]BBB- (Negative)	[ICRA]BB+ (Negative)

Further, we would like to inform you that we received the communication regarding the aforesaid revision from ICRA Ltd on August 27, 2019.

**The rationale for downward revision is mentioned below:**

The ratings revision reflects the continued losses incurred by Indo-tech Transformers Limited (ITL) in FY2019 and Q1 FY2020 resulting in considerable erosion of its net-worth position. ITL's operating profitability, which had been thin in the past, deteriorated further in FY2019 owing to sizeable provisions made for doubtful receivables. Further, apart from provisioning expense, the company's employee expenses remained at elevated levels during the corresponding period, resulting in subdued profitability. The ratings continue to factor in the intense competition prevailing in the transformer industry, which limits ITL's pricing flexibility and growth prospects to an extent. The ratings also consider the susceptibility of the company's profitability to variations in raw materials – CRGO steel and copper. ICRA also notes that the utilization of the company's non-fund based facilities has been high in the recent past, which might restrict its financial flexibility and ability to scale up operations at a healthy pace in the medium term.

**IndoTech Transformers Limited**

CIN: L29113TN1992PLC022011



Regd. Off : S.No.153-210, Illuppapattu Village, Near Rajakulam, Chennai-Bangalore Highway, Kancheepuram - 631 561.

Tel/fax: +91 (0) 44 37290518 | info@prolec-geindia.com | www.prolecge.in



The ratings, nonetheless, continue to derive comfort from the extensive experience of the promoters, strong brand presence and the proven operational track record of ITL in the transformers industry. The ratings continue to consider the technical and operational support that ITL derives from entities belonging to General Electric Company (GE) and Xignux S.A. de C.V. (Xignux) groups. The ratings also factor in ITL's comfortable capital structure, aided by its strong net-worth position of Rs. 125.2 crore as on March 31, 2019 coupled with its limited reliance on fund-based external borrowings

We hereby enclosed the rating rationale provided by ICRA Ltd for your record. We request you to take the same on record and oblige.

Thanking you,

Yours faithfully,  
For Indo Tech Transformers Limited

Sathyamoorthy A  
Company Secretary & Compliance Officer



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## Indotech Transformers Limited

August 29, 2019

### Indotech Transformers Limited: Ratings revised

#### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	6.50	6.50	[ICRA]BB+ (Negative); downgraded from [ICRA]BBB- (Negative)
Short-term – Non-fund based	74.00	74.00	[ICRA]A4+; downgraded from [ICRA]A3
Short-term – Interchangeable	12.00	12.00	[ICRA]A4+; downgraded from [ICRA]A3
Issuer Rating	-	-	[ICRA]BB+ (Negative); downgraded from [ICRA]BBB- (Negative)
<b>Total</b>	<b>92.50</b>	<b>92.50</b>	

\*Instrument details are provided in Annexure 1

#### Rationale

The ratings revision reflects the continued losses incurred by Indotech Transformers Limited (ITL) in FY2019 and Q1 FY2020 resulting in considerable erosion of its net-worth position. ITL's operating profitability, which had been thin in the past, deteriorated further in FY2019 owing to sizeable provisions made for doubtful receivables. Further, apart from provisioning expense, the company's employee expenses remained at elevated levels during the corresponding period, resulting in subdued profitability. The ratings continue to factor in the intense competition prevailing in the transformer industry, which limits ITL's pricing flexibility and growth prospects to an extent. The ratings also consider the susceptibility of the company's profitability to variations in raw materials – CRGO steel and copper. ICRA also notes that the utilization of the company's non-fund based facilities has been high in the recent past, which might restrict its financial flexibility and ability to scale up operations at a healthy pace in the medium term.

The ratings, nonetheless, continue to derive comfort from the extensive experience of the promoters, strong brand presence and the proven operational track record of ITL in the transformers industry. The ratings continue to consider the technical and operational support that ITL derives from entities belonging to General Electric Company (GE) and Xignux S.A. de C.V. (Xignux) groups. The ratings also factor in ITL's comfortable capital structure, aided by its strong net-worth position of Rs. 125.2 crore as on March 31, 2019 coupled with its limited reliance on fund-based external borrowings.

#### Outlook: Negative

The Negative outlook reflects the continued weak profitability witnessed by ITL in FY2019 and Q1 FY2020. With considerable long-pending debtors as on March 31, 2019, ICRA expects that there could be further provisioning being made in the medium term as well and expects the losses at net level to continue in the near term. The rating may be downgraded if elevated losses results in a stretched financial flexibility and liquidity position. The outlook may be revised to Stable if ITL's profitability improves and it achieves profits at the net level on a sustained basis.

## Key rating drivers

### Credit strengths

**Experienced promoters** – ITL’s promoters have an extensive experience of over two decades in the transformers industry. This coupled with ITL’s long presence and proven operational track record in the industry has facilitated in gaining a diverse and renowned clientele in the power and transmission sector.

**Strong technical and operational support from Parent** – ITL is a subsidiary of Prolec-GE International S de R.L. C.V. (Prolec-GE), which is a joint venture between Xignux and GE. ITL enjoys strong operational and financial flexibility, by the virtue of being a subsidiary of Prolec-GE. It derives technical support and marketing assistance from its entities in GE group and Xignux Group. Besides, the strong brand presence of Prolec-GE provides comfort in terms of growth prospects.

**Comfortable capital structure** – ITL’s capital structure remains comfortable, aided by its strong networth position coupled with its limited reliance on fund-based external borrowings. Its networth position stood at Rs. 125.2 crore as on March 31, 2019 and the same is primarily on the back of non-refundable financial grant of Rs. 149.0 crore provided by the Parent in FY2016. ITL’s TOL/TNW (total outside liabilities/tangible networth) stood comfortable at 0.5 times as on March 31, 2019 as compared to 0.6 times on March 31, 2018.

### Credit challenges

**Continued losses mainly owing to provisions for doubtful receivables** – ITL reported net-losses of Rs. 2.0 crore and Rs. 8.9 crore at the operating and net level, respectively, in FY2019 and net level losses of Rs. 0.9 crore in Q1 FY2020. The continued losses incurred by ITL is mainly owing to consistent provisioning made for doubtful receivables that are long-pending from a few customers. Given the company’s stretched debtors position, with nearly Rs. 20.5 crore of receivables outstanding for a period of more than six months (as on March 31, 2019), any further provisioning, of considerable value, is likely to result in stretched profitability. Further, the decline in operating income in FY2019 led to lower absorption of fixed overheads such as employee expenses, thereby resulting in subdued profitability.

**Susceptibility of profit margins to raw material price variations** – ITL’s key raw materials include copper and cold rolled grain oriented sheet steel (CRGO), both of which account for nearly 60% of the company’s raw material requirements. The company’s profit margins are therefore susceptible to variations in prices of its key raw materials, to the extent of contracts that are fixed price in nature, with limited room for price variation.

**Intense competition in the transformers industry** – The intense competition prevailing in the domestic transformers industry, as a result of presence of a large number of players, exerts pressures on ITL’s pricing flexibility and near term growth prospects.

### Liquidity position

The company has limited fund-based facilities and mainly relies on non-fund-based facilities and customer advances to support its operations. The non-fund based utilization has been high in the recent past, with an average utilization of 84.4% of the sanctioned limits for the period August 2018 to July 2019. Nonetheless, considerable cash/bank balance of Rs. 20.7 crore as on March 31, 2019, provides some comfort from the liquidity perspective.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	The ratings are based on the standalone financial profile of the company.

## About the company

ITL, incorporated in 1992, is engaged in the business of manufacturing power and distribution transformers and various special application transformers, mobile sub-station transformers, and sub-stations. The company has its manufacturing plants located at Chennai and Kancheepuram in Tamil Nadu. ITL is a subsidiary of Prolec GE and the parent holds 74.35% stake in ITL as on March 31, 2019. Prolec GE is a joint venture between a Mexican industrial group, Xignux, and General Electric Company, a renowned global company.

## Key financial indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	225.62	213.49
PAT (Rs. crore)	-3.71	-8.39
OPBDIT/ OI (%)	1.96%	-0.93%
RoCE (%)	-1.0%	-4.7%
Total Debt/ TNW (times)	0.0	0.0
Total Debt/ OPBDIT (times)	0.0	0.0
Interest Coverage (times)	1.91	-0.84

*OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Average (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital; TNW: Tangible Net Worth; PBIT: Profit Before Income Tax*

## Status of non-cooperation with previous CRA: Not Applicable

## Any other information: None

## Rating history for last three years

Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years					
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2019 (Rs. crore)	Date & Rating in FY2020 August 2019	Date & Rating in FY2019			Date & Rating in FY2018		Date & Rating in FY2017
					November 2018	July 2018	October 2017	August 2017		
Cash Credit	Long-term	6.50	-	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	-	
Bank Guarantee	Short-term	74.00	-	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3	-	-	
Unallocated	Short-term	12.00	-	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3	-	-	
Issuer Rating	-	-	-	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	-	-	IrBBB- (Stable)	-	

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	6.50	[ICRA]BB+ (Negative)
NA	Bank Guarantee	-	-	-	74.00	[ICRA]A4+
NA	Unallocated	-	-	-	12.00	[ICRA]A4+
NA	Issuer Rating	-	-	-	-	[ICRA]BB+ (Negative)

Source: Indotech Transformers Limited



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## 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 Firm, 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](http://www.icra.in)

## ICRA Limited

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