



July 07, 2023

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: INDO TECH

**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	114.00	220.00	[ICRA]A3; reaffirmed/ assigned for enhanced limit
Long-term Fund-based - Cash Credit	16.00	36.00	[ICRA]BBB- (Stable); reaffirmed/ assigned for enhanced limit
Long-term Term Loan	8.00	18.00	[ICRA]BBB- (Stable); reaffirmed/ assigned for enhanced limit
Unallocated limit	1.00	0.00	[ICRA]A3; reaffirmed/ assigned for enhanced limit
Issuer Rating	-	-	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>139.00</b>	<b>274.00</b>	

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](mailto:info@indo-tech.com)

[www.indo-tech.com](http://www.indo-tech.com)



ICRA Limited

Ref: ICRA/Indotech transformers Limited/06072023/01

Date: July 06, 2023

Mr. Saikrishnan C.P.

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. 139.00 crore Bank Facilities and Enhancement of Rs. 135.00 Crores Bank Facilities of Indotech Transformers Limited.**

Please refer the Rating Agreement/Statement of Work dated July 03, 2017 and August 10, 2017 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 warrant. Also, please refer to your Rating Agreement/Statement of Work dated June 02, 2023 for rating of enhanced captioned limits(s) of Bank Facilities of your company from Rs 139.00 crore to Rs. 274.00 crore.

Please note that the Rating Committee of ICRA, after due consideration, has **reaffirmed** the long term rating at **[ICRA]BBB-** (pronounced ICRA triple B minus) and the short term rating at **[ICRA]A3** (pronounced ICRA A three) assigned earlier to the Rs 139.00 crore Bank Facilities of your Company, and has **assigned** a long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) and a short-term rating of **[ICRA]A3** (pronounced ICRA A three) to the captioned Bank Facilities (“Rating”) of Rs. 135.00 crore. The Outlook on the long-term rating is **Stable**. For Rating definition(s), please refer to ICRA website at [www.icra.in](http://www.icra.in).

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

The aforesaid Rating(s) will be due for surveillance any time before June 29, 2024. However, ICRA reserves the right to review and/or, revise the above Rating(s) 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 Rating(s). Therefore, request the lenders and investors to visit ICRA website at [www.icra.in](http://www.icra.in) for latest Rating(s) of the Company.

The Rating(s) 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 Rating(s) 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.

Building No. 8, 2<sup>nd</sup> Floor, Tower A  
DLF Cyber City, Phase II  
Gurugram – 122002, Haryana

Tel.: +91.124 .4545300  
CIN : L749999DL1991PLC042749

Website: [www.icra.in](http://www.icra.in)  
Email: [info@icraindia.com](mailto:info@icraindia.com)  
Helpdesk: +91 9354738909

Registered Office: B-710, Statesman House, 148, Barakhamba Road, New Delhi 110001. Tel. :+91.11.23357940-41

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ICRA reserves the right to review and/or, revise the above Rating(s) 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 Rating(s) assigned.

The Rating(s) 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 Rating(s) 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), or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system. 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

**Sabyasachi Majumdar**

Senior Vice President and Group Head

[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)



**Annexure**

**Instrument Details**

<b>Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>	<b>Rating Assigned on</b>
	<b>Term Loans</b>		
State Bank of India	18.00	[ICRA]BBB-(Stable)	June 30, 2023
	<b>Cash Credit</b>		
State Bank of India	21.00	[ICRA]BBB-(Stable)	June 30, 2023
Bank of Baroda	10.00	[ICRA]BBB-(Stable)	June 30, 2023
IndusInd Bank Limited	5.00	[ICRA]BBB-(Stable)	June 30, 2023
<b>Total</b>	<b>54.00</b>		

<b>Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>	<b>Rating Assigned on</b>
	<b>Letter of Credit</b>		
State Bank of India	50.00	[ICRA]A3	June 30, 2023
Bank of Baroda	15.00	[ICRA]A3	June 30, 2023
IndusInd Bank Limited	29.00	[ICRA]A3	June 30, 2023
	<b>Bank Guarantee</b>		
State Bank of India	54.00	[ICRA]A3	June 30, 2023
Bank of Baroda	48.00	[ICRA]A3	June 30, 2023
IndusInd Bank Limited	24.00	[ICRA]A3	June 30, 2023
<b>Total</b>	<b>220.00</b>		

July 07, 2023

## 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	114.00	220.00	[ICRA]A3; reaffirmed/ assigned for enhanced limit
Long term – Fund based - Cash credit	16.00	36.00	[ICRA]BBB- (Stable); reaffirmed/ assigned for enhanced limit
Long-term – Term loan	8.00	18.00	[ICRA]BBB- (Stable); reaffirmed/ assigned for enhanced limit
Unallocated limit	1.00	0.00	[ICRA]A3; reaffirmed/ assigned for enhanced limit
Issuer rating	-	-	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>139.00</b>	<b>274.00</b>	

\*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 revenue growth, improved profit margins and comfortable debt coverage indicators. The ratings also factor in a pending order book of Rs. 437 crore as on June 17, 2023 to be executed over the next 12 months, which provides near-term revenue visibility. The company's revenues are expected to grow at a healthy rate in FY2024, given its order book position and ongoing testing capacity expansion. 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 60.8% of the total sales in FY2023. 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 ~71% 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.

**Comfortable order book and improved margins** – The company’s order book stood at 436.7 crore as on June 17, 2023, which is 1.2 times the operating income reported in FY2023, providing adequate revenue visibility in the current fiscal. Further, the operating margin improved to 10% in FY2023 against 8% in FY2022, led by lower royalty expenses coupled with benefits of the scale. The current order book and new order inflows are expected to translate into healthy revenue growth and improvement in profitability in FY2024.

**Comfortable capital structure and debt coverage metric** – ITL’s capital structure remains comfortable, aided by its healthy net worth position (Rs. 171 crore as on March 31, 2023) and relatively low dependence on fund-based bank borrowings. The capital structure was robust, as illustrated in TOL/TNW of 0.8 times as on March 31, 2023. The company plans to incur a capex of Rs. 14.00 crore over FY2024, which will be predominantly funded through a term debt. Nonetheless, the debt protection metrics are expected to remain comfortable with an estimated interest coverage ratio of 4.7 times and TD/OPBDITA of 0.7 times in FY2024.

### Credit challenges

**High client concertation risk**– ITL’s revenue from the top 10 clients accounted for around 61% of the total revenues in FY2023 against 63% of the revenues in FY2022, exposing the company to client concentration risk. However, the counterparty risk remains low owing to its reputed clientele and LC-backed sales to most private players. Further, the established relationship with the customers and the execution track record ensure repeat business.

**Stiff industry competition**– Even though ITL’s profit margins improved in FY2022 and FY2023, it continues to be modest due to 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, majority (~71% of the current order book) of the contracts have price escalation clauses based on the published indices, thereby protecting the margins to an extent. Additionally, ITL exhibits high working capital intensity (21% in FY2022 and 25% in FY2023), 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 risk from tightening environmental regulations related to emissions and waste generated from its manufacturing process this apart an efficient waste segregation through a robust waste management system is required 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 a shortage of skilled manpower, which can have an impact on its operations. However, the company has implemented measures to address employee welfare, including a social accountability policy. As a result, the company has not experienced any protests from workers regarding wage hikes or notable shortages of skilled manpower to date.

### 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 48% in the past 12 months ending April 2023). The company has monthly LC maturities of about Rs. 20-25 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 deteriorates 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 a downgrade would be an interest coverage of less than 2.8 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Implicit support from the Parent or Group Support</a>
Parent/Group support	Parent Company: Shirdi Sai Electricals Limited (SSEL); 70.01% 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 70.01% stake in ITL. SSEL bought a majority 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	FY2022	FY2023*
Operating income	280.4	371.2
PAT	12.2	25.7
OPBDIT/OI	8.0%	10.0%
PAT/OI	4.3%	6.9%
Total outside liabilities/Tangible net worth (times)	0.6	0.8
Total debt/OPBDIT (times)	0.0	0.3
Interest coverage (times)	3.3	4.4

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

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**



## Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022		Date & rating in FY2021
				Jun 07, 2023	Jan 05, 2023	Jul 18, 2022	Mar 07, 2022	Aug 16, 2021	Sep 29, 2020	
1	Cash credit	Long-term	36.00	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Positive)	[ICRA]BB(Stable)	-
2	Non-fund based limits	Short-term	220.00	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	[ICRA]A4	[ICRA]A4
3	Term loan	Long-term	18.00	2.1	[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	[ICRA]A4
5	CEL	Long-term	0.00	-	-	-	-	[ICRA]BB+(Positive)	-	[ICRA]BB(Negative)
6	Issuer rating	-	-	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Positive)	[ICRA]BB(Stable)	[ICRA]BB(Negative)

## Complexity level of the rated instruments

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

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	126.00	[ICRA]A3
NA	Term loan	FY2022	NA	FY2024	8.00	[ICRA]BBB- (Stable)
NA	Term loan	FY2022	NA	FY2028	10.00	
NA	Cash credit	NA	NA	NA	36.00	[ICRA]BBB- (Stable)
NA	Issuer rating	NA	NA	NA	-	[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

**Sabyasachi Majumdar**  
+91 124 4545 304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Girishkumar Kadam**  
+91 22 6114 3441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Sanket Thakkar**  
+91 79 4027 1528  
[sanket.thakkar@icraindia.com](mailto:sanket.thakkar@icraindia.com)

**Preet Ludhwani**  
+91 79 4027 1542  
[preet.ludhwani@icraindia.com](mailto:preet.ludhwani@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



### Branches



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