

# INDO TECH TRANSFORMERS LIMITED

September 29, 2020

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 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:

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	6.50	0.00	-
Short-term – Non-fund based	74.00	80.50	<b>[ICRA]A4</b> downgraded from <b>[ICRA]A4+</b>
Short-term – Interchangeable	12.00	12.00	<b>[ICRA]A4</b> downgraded from <b>[ICRA]A4+</b>
Issuer Rating	-	-	<b>[ICRA]BB(Negative)</b> downgraded from <b>[ICRA]BB+(Negative)</b>
<b>Total</b>	<b>92.50</b>	<b>92.50</b>	

Further, we would like to inform you that the final official communication along with the rationale for the aforesaid revision was received by us on September 28, 2020. The rating letter and rationale for downward revision has been annexed to this letter. The rational letter shall also be made available in the ICRA's website.

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

Thanking you,

Yours faithfully,  
For Indo Tech Transformers Limited



Sathyamborthy A  
Company Secretary & Compliance Officer

## INDO TECH TRANSFORMERS LIMITED

A Subsidiary of Shirdi Sai Electricals Limited (A PROLEC Partner)

CIN : L29113TN1992PLC022011

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

Tele/Fax : +91 (0) 44 3729 0518

Email : info@prolec-geindia.com

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ICRA

ICRA Limited

**CONFIDENTIAL**

Ref. No.Surv/Chen/162/20-21

September 25, 2020

**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 – 631 561  
Phone: 9500028723

Dear Sir,

**Re: Surveillance of ICRA-assigned Credit Rating for Rs. 92.50 crore bank facilities and Issuer Rating of Indotech Transformers Limited (instrument details in *Annexure*)**

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Please refer the Rating Agreements 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 so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has revised the long-term rating for the captioned Line of Credit (LOC) and the Issuer Rating from “[ICRA]BB+” (pronounced ICRA double B plus) to “[ICRA]BB” (pronounced ICRA double B). The outlook on the long-term rating is “**Negative**”. The Rating Committee of ICRA, after due consideration, has revised the short-term rating for the captioned LOC from “[ICRA]A4+” (pronounced ICRA A four plus) to “[ICRA]A4” (pronounced ICRA A four). The aforesaid rating will be due for surveillance any time before **June 30, 2021**.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the overall limit of the LOC 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 rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly ‘*No Default Statement (NDS)*’ (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular

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Karumuttu Centre, 5<sup>th</sup> Floor  
634, Anna Salai, Nandanam  
Chennai 600035

Tel. : +91.44.45964300  
CIN : L74999DL1991PLC042749

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**RATING • RESEARCH • INFORMATION**



## ICRA Limited

dated June 30, 2017 on '*Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)*' issued by the Securities and Exchange Board of India.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

for ICRA Limited

**SRINIVASAN**  
**RANGASWAMY**

Digitally signed by  
SRINIVASAN RANGASWAMY  
Date: 2020.09.25 17:24:06  
+05'30'

Srinivasan R  
Vice President & Head – Mid Corporate Group  
r.srinivasan@icraindia.com

**Encl:**



*'No Default Statement on the Company Letter Head'*

Date:

To,

ICRA Limited  
634, 5<sup>th</sup> floor,  
Karumuttu Centre,  
Anna Salai, Nandanam  
Chennai – 600035.

Dear Sir/ Madam,

1. We hereby confirm that as on date there are no overdues or default on our listed debt obligations. (Securities).
2. We hereby confirm that as on date there are no overdues or default on our unlisted debt obligations. (Securities).
3. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of our listed debt obligations (Securities).
4. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of our un-listed debt obligations (Securities).
5. We also confirm that in the month ended <<Month and Year name>>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
6. We hereby confirm that as on date and in the month ended <<Month and Year name>> there are no over dues or default on payment of interest/installment obligations on loans from banks/financial institutions.
7. We hereby confirm that as on date there are no over dues or default on payment of interest/installment obligations on loans from banks/financial institutions which continues beyond 30 days.
8. We hereby confirm that as on date there are no over dues or default on revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days.
9. We also confirm that there is no amount remaining unpaid for more than 30 days from the invocation of the bank guarantee facilities or devolvement of Letters of Credit as on date / in the month ended <<Month and Year name>> We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <<Month and Year name>>
10. We also confirm that there has been no overdrawing of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
11. Details of default in payment of interest/installment obligations on loans including revolving facilities like cash credit from banks/financial institutions and any overdrafts beyond what is sanctioned by the bank, beyond 30 days as on date/ in the month ended <<Month and Year name>>, in any of the above case (if any):

Name of Lender	Nature of obligation	Date of Default	Current default amount	Amount to be paid	Actual Date of Payment (if any)	Remarks
Text	Term Loan, CC					



ICRA

ICRA Limited

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Row 2						

12. Details of default in payment of principal/interest obligations as on date/ in the month ended <<**Month and Year name**>>, on our listed and unlisted debt obligations (Securities), in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks
NCD					

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>

**Annexure**
**Details of Bank Limits Rated by ICRA**

Name of the Bank	Instrument Details	Amount (Rs. crore)	Rating Assigned	Rating Assigned on
Issuer Rating		-	[ICRA]BB (Negative)	September 22, 2020
<b>Total</b>		-		

**Details of Bank Limits Rated by ICRA on a short-term scale**

Name of the Bank	Instrument Details	Amount (Rs. crore)	Rating Assigned	Rating Assigned on
Bank of Baroda	Bank Guarantee	27.00	[ICRA]A4	September 22, 2020
Citi Bank	Bank Guarantee	33.50		
State Bank of India	Bank Guarantee	20.00		
Unallocated limits		12.00		
<b>Total</b>		<b>92.50</b>		

September 28, 2020

## Indotech Transformers Limited: Ratings downgraded to [ICRA]BB(Negative)/[ICRA]A4

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	6.50	0.00	-
Short-term – Non-fund based	74.00	80.50	[ICRA]A4; downgraded from [ICRA]A4+
Short-term – Interchangeable	12.00	12.00	[ICRA]A4; downgraded from [ICRA]A4+
Issuer Rating	-	-	[ICRA]BB(Negative); downgraded from [ICRA]BB+(Negative)
<b>Total</b>	<b>92.50</b>	<b>92.50</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings revision and outlook factor in the continued pressure on Indotech Transformers Limited's (ITL) revenue and profitability, which has been further exasperated by the Covid-19 pandemic-related lockdown conditions and economic slowdown in FY2021. The company has reported a net loss of Rs. 5.07 crore in Q1 FY2021 as against profit before tax (PBT) of Rs. 0.1 crore in FY2020. The ratings note the near-term pressure on the company's financial flexibility, post the stake acquisition by new promoters, as illustrated by high utilization of bank limits (amidst reduction in bank limits), which will likely exert pressure on its liquidity and growth.

While the new parent, Shirdi Sai Electrical Limited (SSEL) is an established player in the Indian transformer industry, ongoing changes in ITL's marketing strategy, brand, technical collaboration (with its erstwhile parent), post the stake acquisition, may require time to stabilise. Nonetheless, ICRA expects ITL to derive long-term benefit required for scaling up the operations and improvement in gross margin. The ratings consider the stiff competition prevailing in the transformer industry, volatile raw material prices and ITL's high overhead costs.

The ratings, nonetheless, derive comfort from the extensive experience of the new promoters (SSEL) and ITL's proven operational track record in the transformers industry spanning nearly three decades. The ratings positively factor in SSEL's established position with significant scale of operations in the transformer industry, which is expected to provide operational flexibility to ITL and lend economies of scale (through joint sourcing, joint lead generation and reduction in manufacturing cost). Further, the ratings note the company's strong capital structure, backed by sizeable net worth position.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters and ITL's proven track record** – ITL's new promoters SSEL have vast experience in the transformers industry spanning nearly three decades. This coupled with its extensive presence and proven operational track record in the power and distribution transformers industry will facilitate in establishing better relationship with customers and gain orders.

**Likely improvement in operational profile in the longer-term** – The company’s new promoter SSEL has an established presence in the distribution transformer segment, coupled with large-scale backward-integrated operations, which provides higher control on both cost and quality. The same is expected to provide operational flexibility to ITL and lend benefits from economies of scale through joint sourcing, joint lead generations and reduction in manufacturing cost.

**Comfortable capital structure** – ITL’s capital structure remains comfortable, aided by its strong net worth position. Its net worth position stood at Rs. 126.5 crore as on March 31, 2020. The capital structure was robust as illustrated by TOL/TNW of 0.6 times as on March 31, 2020 (against 0.5 times on March 31, 2019).

## Credit challenges

**Continued pressure on profitability** – The company incurred a net loss of Rs. 5.07 crore in Q1 FY2021 (led by lower absorption of fixed overheads because of decline in sales owing to the lockdown imposed to contain the Covid-19 pandemic) and profit before tax (PBT) of Rs. 0.1 crore in FY2020 (supported by non-operating income of Rs. 5.4 crore). ITL’s profitability remains subdued on account of stiff competition prevailing in the transformer industry, which restricts its pricing flexibility, coupled with lack of economies of scale considering the high overhead cost. Further, its profit margins are susceptible to variations in the prices of its key raw materials, to the extent of contracts that are fixed price in nature, with limited room for price variation. ICRA notes that ongoing changes in ITL’s marketing strategy, brand, technical collaboration (with its erstwhile parent), post the stake acquisition may require time to stabilise.

ICRA expects its profitability and revenue to be under pressure in the near-term on account of weak economic outlook due to the Covid-19 pandemic. In the long-term, the company will require significant growth in its scale of operations to turn profitable.

**Stretched liquidity position** – The company has a stretched liquidity position on account of reduction in its bank limits (that limits scope for revenue growth), coupled with sizeable LC maturities in the near term, amid high working capital intensity. Nonetheless, it has requested for additional Rs. 30-crore working capital limits from SBI and the same will remain a key rating monitorable.

## Liquidity position: Stretched

ITL’s liquidity position is **stretched** with sizeable payables and lack of fund-based limits from banks. Further, with limited buffer in non-fund based limits, its liquidity position depends on getting timely enhancement in limits from the banker. Nonetheless, ICRA notes that the company has unencumbered cash of around Rs. 15.03 crore as on September 17, 2020, which will support its liquidity to some extent.

## Rating sensitivities

**Positive triggers** – Given the Negative outlook, a rating upgrade in the near term is unlikely. However, ICRA may revise the outlook to Stable if ITL is able to improve its liquidity position and profitability on a sustainable basis.

**Negative triggers** – The ratings will be downgraded if the company continues to incur significant losses or if its liquidity position weakens further.

## 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 statements of the company



## About the company

ITL, incorporated in 1992, is involved in manufacturing power and distribution transformers and various special application transformers, mobile sub-station transformers and sub-stations. The company's manufacturing plants are located in Chennai and Kancheepuram in Tamil Nadu.

ITL is a subsidiary of Shirdi Sai Electricals Limited and SSEL holds 73.64% stake in ITL as on September 03, 2020. SSEL had bought majority stake from the ITL's erstwhile promoters - Prolec GE (a joint venture between a Mexican industrial group, Xignux S.A. de C.V., and General Electric Company (GE)) recently. Shirdi Sai Electricals Limited (SSEL) (rated at [\[ICRA\]C+/\[ICRA\]A4](#)), incorporated in 1994, is into the business of manufacturing of power and distribution transformers (up to 20 MVA, 66 kV). The company has a transformer manufacturing facility in Kadapa, Andhra Pradesh. It designs and manufactures power and distribution transformers to cater to the needs of electricity utilities as well as private enterprises. SSEL also provides solutions for power transmission and distribution systems through its turnkey projects division

## Key financial indicators – Audited

	FY2019	FY2020	Q1FY2021
Operating Income (Rs. crore)	213.49	205.33	16.42
PAT (Rs. crore)	-8.4	1.9	-5.07
OPBDITA/OI (%)	-0.9%	1.0%	*
PAT/OI (%)	-3.9%	0.9%	-30.9%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.6	*
Total Debt/OPBDITA (times)	0.0	0.0	*
Interest Coverage (times)	-0.8	0.8	*

Source: Company; \*unknown

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

**Any other information: Not applicable**



ating history for past three years

Instrument	Rating (FY2021)				Rating History for the Past 3 Years					
	Type	Amount Rated	Amount Outstanding (as on August 31, 2020)	Current Rating	FY2020	FY2019		FY2018		
				28-Sep-2020	28-Aug-2019	08-Nov-2018	12-Jul-2019	30-Oct-2017	08-Aug-2017	
Cash Credit	Long-Term	0.00	-	-	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	
Bank Guarantee/Letter of Credit	Short-Term	80.50	71.21	[ICRA]A4	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3	-	
Unallocated	Short-Term	12.00	-	[ICRA]A4	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3	-	
Issuer Rating	-	-	-	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	-	-	IrBBB- (Stable)	

Amount in Rs. crore

## 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 [click here](#)

## Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Bank Guarantee/ Letter of Credit	NA	NA	NA	80.50	[ICRA]A4
NA	Unallocated	NA	NA	NA	12.00	[ICRA]A4
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BB(Negative)

Source:Company

## Annexure-2: List of entities considered for consolidated analysis: Not applicable

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## Analyst Contacts

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## 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

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