PROLEC

October 30, 2015

Listing Department
National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex
Bandra (East)
Mumbai 400 051

Department of Corporate Services
Bombay Stock Exchange Limited
Phiroze Jee Jee Bhoy Towers
Dalal Street
Mumbai 400 001

Dear Sir,

Sub: Revision in ratings clause 36 of the listing agreement

We would like to inform you that India Ratings and Research –the credit rating agency has revised the ratings of the credit facilities of the company as follows:

Facility	Present Credit Rating	Previous Credit rating
Long Term Facilities	IND BBB-	IND BBB-
Short Term Facilities	IND A3	IND A3

This is for your information and record.

Yours faithfully,

For and on behalf of Indo Tech Transformers Limited

Dhiraj Narula

Dhiraj Narula
Compliance Officer

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India Ratings Affirms Indotech Transformers at 'IND BBB-'/Stable; Limits Enhanced

Ind-Ra-Chennai-27 October 2015: India Ratings and Research (Ind-Ra) has affirmed Indotech Transformers Ltd's (ITL) Long-Term Issuer Rating at 'IND BBB-'. The Outlook is Stable. The agency has also affirmed the Long-term 'IND BBB-' rating with a Stable Outlook and Short-term 'IND A3' rating on the company's INR370m non-fund based working capital limits (increased from INR300m).

KEY RATING DRIVERS

Linkage with Strong Parent: The affirmation reflects ITL's continued linkage with its parent Prolec GE Internacional S de R.L. C.V., Mexico (Prolec-GE). Prolec-GE is a closely held JV between General Electric (GE) and Xignux Group of Mexico (Fitch Ratings Ltd National Long-Term Rating: 'A+ (mex)') and is the designated vehicle for transformers by GE. The parent continues to support ITL's operations by extending financial, operational and marketing support. In FY15, the parent infused INR1.49bn of non-repayable grant which the company used to repay all of its working capital debt.

Performance Turnaround: Although ITL reported EBITDA losses for the sixth year in succession in FY15, a turnaround is evident from growing revenue and shrinking EBITDA losses. Revenue grew 38% yoy in FY15 while the operating EBITDA losses declined to INR57m from INR269m during 12 months ending March 2014. The improved operational performance is attributed to an improvement in realisations and operational efficiency. A sustained improvement in operations leading to ITL reporting positive EBITDA depends largely on ITL's ability to secure significant high-margin export orders. The company, with the support of GE, is likely to receive significant export orders over the next six months. Ind-Ra continues to expect the company to return to profitable operations in FY17.

Liquidity Likely to Remain Comfortable: ITL's liquidity position remains comfortable despite continuous EBITDA losses. The sale of non-core assets and realisation of long overdue receivables supported the liquidity of the company during 1HFY15. The company's unencumbered cash balance stood at INR76.7m on 30 September 2015 (FYE15: INR107m). However, the growing scale of operations is likely to increase the working capital requirements and stress ITL's liquidity. The company is in the advanced stage of tying up USD3m of working capital limits with the support of Prolec-GE. Given the track record of the parent's support, Ind-Ra believes ITL will be able to tie-up the required working capital credit lines on time.

Moderate Revenue Visibility: The ratings further reflect the de-risking of ITL's business model which has resulted in a more diversified order book. The share of state utilities in the order book was below 20% during FY14 and FY15 as against over 70% in FY10. However, the company's INR1.4bn order book provides revenue visibility only for the one year.

RATING SENSITIVITIES

Positive: A sustainable improvement in the operating performance as reflected in EBITDA profits could lead to positive rating action.

Negative: Future developments that could, individually or collectively, lead to negative rating action include:

- any weakening of ITL's liquidity profile resulting from continued EBITDA losses

- any weakening of linkages with Prolec-GE and/or GE

- any deterioration in the credit profile of Prolec-GE

COMPANY PROFILE

Set up in 1976 by first generation entrepreneurs, ITL is now a major player in the transformer market in India. It has a capacity of 7,450MVA per annum. Prolec-GE Group of Mexico acquired a majority shareholding in ITL in 2009 and now holds 74.35% of the equity. ITL is the only manufacturing presence of Prolec-GE outside of Mexico and is closely aligned with GE's operations in India.

In FY15, ITL reported top line of INR1,616m (FY14 (nine months): INR994m), operating EBITDA loss of INR48m (INR95m) and net loss of INR37m (INR188m).

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Additional information is available on www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Applicable criteria, 'Corporate Rating Methodology', dated 12 September 2012, are available at www.indiaratings.co.in.

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India Ratings & Research (India Ratings) has six rating offices located at Mumbai, Delhi, Chennai, Kolkata, Bangalore and Hyderabad. India Ratings is recognised by Reserve Bank of India, Securities Exchange Board of India (SEBI) and National Housing Bank.

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