

August 17, 2021

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 Revision and 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 revision and reaffirmation of credit rating from ICRA as tabulated below:

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	0.00	11.00	[ICRA]BB (Stable); Reaffirmed and Outlook revised to Stable from Negative
Short-term – Non-fund based	74.00	71.79	[ICRA]A4; Reaffirmed
Short-term – Unallocated	12.00	9.71	[ICRA]A4; Reaffirmed
Short-term – Unallocated	6.50	0.00	-
Issuer Rating	-	-	[ICRA]BB (Stable); Reaffirmed and Outlook revised to Stable from Negative
<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 reaffirmation was received by us on August 16, 2021. The rating letter and rationale for revision and reaffirmation 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.

Yours faithfully,  
**For Indo Tech Transformers Limited**



Sathyamoorthy A  
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 - 3729 0518

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

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



ICRA

ICRA Limited

**CONFIDENTIAL**

**Ref. No. ICRA/Indotech Transformers Limited/16082021/1**

**August 16, 2021**

**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.

**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*)**

Please refer to the Rating Agreement 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. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has reaffirmed the long-term rating to **[ICRA]BB (pronounced ICRA double B)**. The Rating Committee of ICRA, after due consideration has reaffirmed the short-term rating at **[ICRA]A4 (pronounced ICRA A four)**. The outlook on the long-term rating is revised to Stable from Negative. Instruments with [ICRA]BB rating indicate moderate risk of default regarding timely servicing of financial obligations.

In any of your publicity material or other documents wherever you are using the above rating, it should be stated as **[ICRA]BB(Stable)/[ICRA]A4**.

The aforesaid ratings will be due for surveillance any time before August 12, 2022. 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](http://www.icra.in) for latest Ratings 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 Rating(s) have been assigned by us and their use has been confirmed by you, the Rating(s) would be subject to our review, following which there could be a change in the Rating(s) 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

---

Building No. 8, 2<sup>nd</sup> Floor, Tower A  
DLF Cyber City, Phase II  
Gurugram – 122002, Haryana  
Registered Office: B-710, Statesman House,

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  
Tel. :+91.11.23357940-45

**RATING**

**RESEARCH**

**INFORMATION**



ICRA

ICRA Limited

under the said Rating Agreement.

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 by your company.

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

For ICRA Limited

**[Sabyasachi Majumdar]**  
**Senior Vice President & Group Head**  
**Email: [sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)**

---

Building No. 8, 2<sup>nd</sup> Floor, Tower A  
DLF Cyber City, Phase II  
Gurugram – 122002, Haryana  
Registered Office: B-710, Statesman House,

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  
Tel. :+91.11.23357940-45

**RATING**

**RESEARCH**

**INFORMATION**

Annexure**Details of the bank limits rated by ICRA (Rated on long-term scale)**

Name of Lender	Facility	Amount (Rs. crore)	Rating	Rating Assigned on
Issuer Rating		-	[ICRA]BB (Stable)	August 13, 2021
Bank of Baroda	Cash Credit	1.00	[ICRA]BB (Stable)	August 13, 2021
State Bank of India	Cash Credit	10.00	[ICRA]BB (Stable)	August 13, 2021
<b>Total</b>		<b>11.00</b>		

**Details of the bank limits rated by ICRA (Rated on short-term scale)**

Name of Lender	Facility	Amount (Rs. crore)	Rating	Rating Assigned on
Bank of Baroda	Bank Guarantee/Letter of Credit	26.00	[ICRA]A4	August 13, 2021
State Bank of India	Bank Guarantee/Letter of Credit	40.00	[ICRA]A4	August 13, 2021
Citi bank	Bank Guarantee/Letter of Credit	5.79	[ICRA]A4	August 13, 2021
Unallocated limits – Short term		9.71	[ICRA]A4	August 13, 2021
<b>Total</b>		<b>81.50</b>		

August 05, 2021

## Indotech Transformers Limited: Ratings reaffirmed; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	0.00	11.00	[ICRA]BB (Stable); Reaffirmed and Outlook revised to Stable from Negative
Short-term – Non-fund based	74.00	71.79	[ICRA]A4; Reaffirmed
Short-term – Unallocated	12.00	9.71	[ICRA]A4; Reaffirmed
Long term – Unallocated	6.50	0.00	-
Issuer Rating	-	-	[ICRA]BB (Stable); Reaffirmed and Outlook revised to Stable from Negative
<b>Total</b>	<b>92.50</b>	<b>92.50</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revision in rating outlook assigned to Indotech Transformers Limited (ITL) takes into account the company's rebound in financial performance in FY2021. Despite the operational challenges faced by the company in Q1FY2021 and Q2FY2021, the company was able to generate the operating income of Rs. 206.0 crore in FY2021 as against Rs. Rs. 205.3 crore in FY2020. Further, the operating margin significantly improved and stood at 5.6% in FY2021 as against 1.0% in FY2020. This is on account of increased contribution of higher load transforms in overall sales mix where margins are relatively higher. Furthermore, the company's order book position remains healthy with an order book of Rs. 268.0 crore as of March 2021, which is 1.3 times the gross operating income reported in FY2021, providing adequate revenue visibility for medium term. ICRA also positively takes note of the company's comfortable capital structure, backed by healthy net worth position. Further, the ratings derive comfort from the extensive experience of the new promoter namely Shirdi Sai Electricals Limited (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 synergies to ITL and lend economies of scale (through joint sourcing, joint lead generation and reduction in manufacturing cost). ICRA expects ITL to derive long-term benefit required for scaling up the operations and improvement in gross margin.

However, the ratings are constrained by linkages with its parent company (SSEL) whose credit profile is relatively weaker (rated at [ICRA]BB (Stable)/A4) due to stretch in liquidity position on account of higher receivable position. Further, the rating takes into consideration the company's higher customer concentration risk where top ten customers contributed 65% of total revenues in FY2022. Nonetheless, the counterparty risk remains low owing to its reputed clientele. Further, ITL operates in transformer industry which is highly fragmented in nature which results in intense competition, which in turn translates to pricing pressure to a certain extent. The ratings also consider the high working capital intensity of operations and susceptibility of profitability to volatility in raw material prices.

## 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. ITL also derives synergic benefits in terms of raw material procurement at economical prices and economies of scale through joint sourcing, joint lead generations and reduction in manufacturing cost.

**Healthy order book position and improving margins** –The company's order book position remains healthy at Rs. 268.0 crore as of March 2021, which is 1.3 times the gross operating income reported in FY2021, providing adequate revenue visibility for medium term. Further, the company's operating margin has improved and stood at 5.6% in FY2021 (against 1.0% in FY2020) led by the company's increased focus on the higher load capacity transformer where realisations and margins are better. The healthy order book position and new order inflows is expected to translate into an increase in turnover and profitability in FY2022.

**Comfortable capital structure** – ITL's capital structure remains comfortable, aided by its strong net worth position. Its net worth positions stood at Rs. 133.2 crore as on March 31, 2021. The capital structure was robust as illustrated by TOL/TNW of 0.4 times as on March 31, 2021 (against 0.6 times on March 31, 2020).

### Credit challenges

**High client concentration risk**– ITL's revenue from the top-ten clients accounted for around 49% and 65% of the total revenues in FY2020 and FY2021, respectively, exposing the company to the client concentration risk. However, the counterparty risk remains low owing to its reputed clientele.

**Stiff competition in industry** – ITL operates in transformer industry which is highly fragmented in nature which results in intense competition, which in turn translates to pricing pressure to a certain extent.

**Profitability exposed to volatility in raw material prices** – ITL's profitability remains exposed to volatility in raw material prices. Nonetheless, majority of the contracts have price escalation clauses based on the published indices.

**Relatively high working capital intensity** - High working capital intensity inherent in the nature of business – ITL exhibits high working capital intensity as inherent in the industry it operates in. due to high receivable period and inventory requirements. The company recorded working capital intensity of 32% in FY2021 (against 31% in FY2020).

**Stretch in liquidity at parent entity**- The credit profile of the parent entity (SSEL) is relatively weaker due to stretch in liquidity position on account of stretch in receivable position. This in turn constraints the rating assigned to ITL given the linkages with its parent entity.

### Liquidity position: Adequate

ITL's liquidity position is adequate given the company has cushion in liquidity in the form of unutilised fund based working capital facility of Rs. 10.00 crore and has unencumbered cash of around Rs. 6.2 crore as on June 30, 2021. The company has moderate LC maturities lined up over the near term; though, estimated cash flows are expected to remain adequate and will facilitate debt obligations going forward.

## Rating sensitivities

**Positive Triggers-** The ratings could be upgraded if the company demonstrates a sustained improvement in its scale and margins while maintaining adequate liquidity position and improvement in credit profile of the parent entity.

**Negative Triggers –** The ratings could witness a downward revision in case of significant deterioration in scale and profitability leading to weakening of key credit metrics or any deterioration in SSEL’s credit profile. Also, in case of any stretch in working capital position or any large debt-funded capex leading to weakening of liquidity position could exert negative pressure on the rating. Specific credit metrics for a downgrade would be TOL/TNW higher than 3.0 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Impact of Parent or Group Support on an Issuer’s Credit Rating</a>
Parent/Group Support	Parent Company: Shirdi Sai Electricals Limited (SSEL); 73.6% stake in ITL. ITL derives operational synergies in from of joint sourcing of raw materials, lead generation and reduction in manufacturing cost. .
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 [\[ICRA\]BB \(Stable\)/\[ICRA\]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)

ITL Standalone	FY2020	FY2021
Operating Income (Rs. crore)	205.3	206.0
PAT (Rs. crore)	1.9	6.3
OPBDIT/OI (%)	1.0%	5.6%
PAT/OI (%)	0.9%	3.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.4
Total Debt/OPBDIT (times)	0.0	0.0
Interest Coverage (times)	0.8	3.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation



Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019	
					Aug-05-2021	Sep-29-2020	Feb-17-2020	Aug-28-2019	Nov-08-2018	Jul-12-2018
1	Cash Credit	Long-Term	11.00	-	[ICRA]BB (Stable)	-	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)
2	Bank Guarantee/Letter of Credit	Short-Term	71.79	-	[ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
3	Unallocated	Short-Term	9.71	-	[ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
4	Unallocated	Long-Term	0.00	-	-	[ICRA]BB (Negative)	-	-	-	-
5	Issuer Rating	-	-	-	[ICRA]BB (Stable)	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	-



## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based	Simple
Short-term – Non-fund based	Very Simple
Short-term – Unallocated	-
Long term – Unallocated	-

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 analyzing 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, is available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Bank Guarantee/ Letter of Credit	NA	NA	NA	71.79	[ICRA]A4
NA	Long term – Fund based	NA	NA	NA	11.00	[ICRA]A4
NA	Unallocated – Short term	NA	NA	NA	9.71	[ICRA]A4
NA	Unallocated – Long term	NA	NA	NA	0.00	[ICRA]BB (Stable)
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BB (Stable)

Source: Company

**Annexure-2: List of entities considered for consolidated analysis- Not Applicable**

## ANALYST CONTACTS

**Sabyasachi Majumdar**

91 124 4545304

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

**Girishkumar Kadam**

91 22 6114 3441

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

**Sanket Thakkar**

91 079 4027528

[sanket.thakkar@icraindia.com](mailto:sanket.thakkar@icraindia.com)

**P Krishi Keyan**

91 40 40676522

[krishi.keyan@icraindia.com](mailto:krishi.keyan@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jyantac@icraindia.com](mailto:jyantac@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



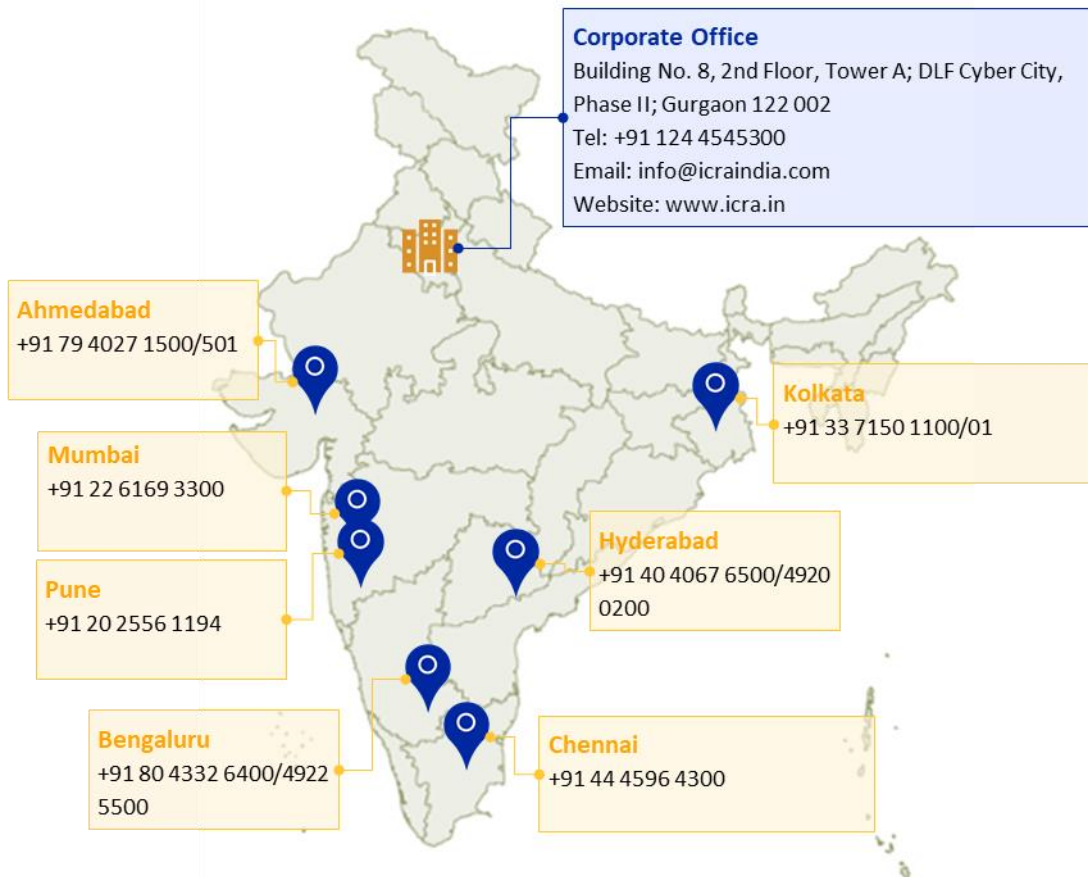
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2021 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](http://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.