September 06, 2019

GE T&D India Limited (erstwhile Alstom T&D India Limited): Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Working Capital Facilities	1,193.0	1,000.0	[ICRA]AA- (Stable); reaffirmed
Non-fund based – BG/LC	5,545.0	5,245.0	[ICRA]AA-(Stable)/ [ICRA]A1+; reaffirmed
Unallocated	262.0	755.0	[ICRA]AA-(Stable)/ [ICRA]A1+; reaffirmed
Total	**7,000.0**	**7,000.0**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings factor in GE T&D India Limited's (GETDIL) position as one of the major players in the power transmission equipment industry. Also, its established operational track record, extensive experience of its parent and management, wide product/service mix and strong technical capabilities support the ratings. The company also derives technological and financial synergies from its strong parentage – General Electric Company (GE; rated Baa1 with Stable outlook by Moody's Investors Service). These strengths have enabled GETDIL to sustain a sizeable unexecuted orderbook, which provides revenue visibility for the medium term. GETDIL's clientele is well diversified, including both public (Power Grid Corporation of India Limited; PGCIL and state utilities) and private sector clients. Moreover, steady internal accrual generation coupled with customer advances, undrawn bank lines and no long-term debt repayment liability continue to support the company's liquidity position.

However, the ratings are constrained by the intense competition in the industry, which limits the pricing flexibility and order inflow of industry participants, including GETDIL. This, coupled with challenges in timely execution of projects and external macro-economic factors may exert pressure on the company's profit margins and cash flow generation. Increase in order book concentration towards private sector clients and state utilities, as against PGCIL in the past, exposes the company to greater execution risks and likely increase in working capital requirements. Moreover, with limited revenue contribution from the ongoing high voltage direct current (HVDC) project of PGCIL and challenging industry dynamics, some revenue and profit margin moderation is likely in the current fiscal, as already witnessed in Q1 FY2020. Also, the working capital intensity of the business increased in FY2019 and Q1 FY2020 because of an increase in debtor levels (including retention money), resulting in a decline in free cash balances and increased reliance on external debt.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that GETDIL will continue to benefit from established position in the industry and unexecuted orderbook, which provides revenue visibility.

Key rating drivers

Credit strengths

Established track record – GETDIL has an operational track record of several decades in the power transmission equipment industry. Its business operations in India are divided into four heads – products, solutions, automation and services. This, coupled with access to critical technologies and successful execution of numerous projects, has enabled it to emerge as one of the major players in the industry.

Benefits from strong parentage – GETDIL derives technical and financial synergies from its strong parentage (ultimate parent – GE). Additionally, being a part of the GE Group provides leverage while bidding for fresh orders.

Sizeable unexecuted orderbook – GETDIL has been able to largely maintain its scale of operations in FY2019 on the back of steady execution of the order book. During the fiscal, it was able to secure sizeable orders, resulting in a sizeable unexecuted order book of around Rs. 6,000 crore as on June 2019, which provides revenue visibility for the medium term.

Diverse client base – Given its established operational track record in the industry, GETDIL has successfully serviced a large client base over the years. Moreover, its well-diversified client base includes PGCIL, private sector clients and state utilities.

Credit challenges

Intense competition – Stiff competition in power transmission equipment, which is further accentuated by the presence of global majors through joint ventures and threat from Chinese/Korean equipment manufacturers.

Increase in working capital intensity – The working capital intensity of the business increased in FY2019 and Q1 FY2020 due to an increase in debtor levels (including retention money), resulting in a decline in cash balances (to Rs. 60 crore as on March 2019 from Rs. 532 crore as on March 2018) and reliance on external debt.

Revenue moderation and pressures on profit margins – Given the challenges faced in execution, GETDIL's revenues remain susceptible to slowdown in execution of the ongoing projects. Moreover, the profit margins remain susceptible to delays in project execution and raw material price volatility. This is also demonstrated by the decline in revenues and profitability in Q1 FY2020. Moreover, with limited revenue contribution from the ongoing HVDC project in the current fiscal and challenging industry dynamics, some revenue and profit margin moderation are likely for the entire fiscal.

Change in order mix – Change in the order book mix in terms of increased share of private sector clients and state utilities and reducing share of PGCIL, is likely to accentuate challenges pertaining to project execution and elevate the working capital requirements of the business.

Liquidity Position: Adequate

GETDIL's liquidity position is **adequate,** supported by steady internal accrual generation, customer advances and no debt repayment liability. Its free cash flows from operations remained positive in FY2019 because of the sustenance of revenues and some improvement in profit margins. However, cash flow from operation (CFO) was negative because of an increase in working capital intensity. With GETDIL's business expected to chart a modest growth trajectory in the medium term, its FFO is estimated to remain positive. GETDIL also has cushion available in the form of undrawn working capital limits.

Rating sensitivities

Positive triggers – Strong revenue growth and improvement in profit margins on the back of healthy execution of the unexecuted order book and sizeable order inflow, on a sustained basis, could lead to a ratings upgrade.

Negative triggers – GETDIL's ratings could be downgraded if there is considerable decline in revenue visibility due to lower order inflow, or reduction in profit margins and cash flow generation. Stretching of the working capital cycle and greater reliance on debt with Total Outside Liabilities/Total Net Worth ratio going beyond 2.0 times, and downgrade in GE's rating could also lead to a ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Ultimate Parent Company: General Electric Company Ratings are based on implicit support from ultimate parent, primarily in the form of technological and financial synergies
Consolidation/Standalone	Standalone

About the company

GETDIL manufactures power transmission equipment in India. The company manufactures a wide range of products that include power transformers, circuit breakers, gas insulated switchgears, air insulated switchgears, instrument transformers, protection relays and power system automation equipment.

In FY2019, GETDIL reported a net profit of Rs. 212.7 crore on an operating income (OI) of Rs. 4,266.4 crore compared with a net profit of Rs. 208.8 crore on an OI of Rs. 4,370.8 crore in the previous year.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	4,370.8	4,266.4
PAT (Rs. crore)	208.8	212.7
OPBDIT/OI (%)	7.2%	11.5%
RoCE (%)	30.4%	30.3%
Total Outside Liabilities/Tangible Net Worth (times)	2.9	1.9
Total Debt/OPBDIT (times)	0.3	0.2
Interest Coverage (times)	3.0	5.8
DSCR	3.9	4.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Type	Current Rating (FY2020)			Rating History for the past 3 years						
			Amount Rated	Amount Outstanding	Rating	FY2019		FY2018		FY2017	FY2016	
					6-Sep-2019	27-Nov-2018	2-Jul-2018	18-May-2017	12-Apr-2017	-	1-Mar-2016	30-Dec-2015
1	Fund-based Limits	Long Term	1,000.0	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Non-fund Based Limits – LC/BG	Long Term/Short Term	5,245.0	-	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+
3	Unallocated	Long Term/Short Term	755.0	-	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	[ICRA]AA (Stable)/[ICRA]A1+	-

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 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	Fund-based Limits	-	-	-	1,000.0	[ICRA]AA- (Stable)
NA	Non-fund Based Limits - LC/BG	-	-	-	5,245.0	[ICRA]AA- (Stable) /[ICRA]A1+
NA	Unallocated	-	-	-	755.0	[ICRA]AA- (Stable) /[ICRA]A1+

Source: GE T&D India Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
-	-	-

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
sabyasachi@icraindia.com

Anupama Arora
+91-124-4545303
anupama@icraindia.com

Deepak Jotwani
+91-124-4545870
deepak.jotwani@icraindia.com

RELATIONSHIP CONTACT

L. Shivkumar
+91-20-61143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

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

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2556 0194/ 6606 9999

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 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