

April 24, 2023

## Shirdi Sai Electricals Limited : Change in limits

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term/Short-term Non-fund-based facilities	820.00	708.65	[ICRA]BBB-(Stable)/[ICRA]A3; outstanding
Long-term fund-based working capital	443.48	615.48	[ICRA]BBB-(Stable); outstanding
Long-term fund - Term loan	50.00	50.00	[ICRA]BBB-(Stable); outstanding
Long-term/Short-term unallocated limits	90.52	29.87	[ICRA]BBB-(Stable)/[ICRA]A3; outstanding
<b>Total</b>	<b>1,404.00</b>	<b>1,404.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings outstanding factor in Shirdi Sai Electricals Limited's (SSEL) established presence in the distribution transformer manufacturing segment along with its experience of around two decades as an EPC contractor. The company has a strong relationship with its clients. Moreover, its backward-integrated operations and the in-house manufacturing of ~70% transformer sub-parts provide SSEL with better control over both cost and quality. ICRA expects SSEL to report an estimated revenue of ~Rs. 2,400 crore, registering more than 80% growth over the previous fiscal (on standalone basis).

The ratings, however, are constrained by the elevated working capital requirements with high inventory requirements along with the elongated receivable position, though the situation has improved in the current fiscal. The ratings remain tempered by the high geographical and customer concentration risks as Andhra Pradesh state power distribution utilities (discoms) contribute to a significant portion of SSEL's revenue and the outstanding order book. Also, the fragmented nature of the transformer industry adds to the pricing pressure.

ICRA notes that SSEL is setting up a 4-GW fully integrated solar module manufacturing facility under the production-linked incentive programme. The transaction structure, funding mix and strategic partner/technical tie-ups are still at a planning stage. ICRA will monitor the development closely, given the large scale of the projects, the significant investment outlay and the company's limited experience in executing solar module manufacturing.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">ICRA's approach on consolidation</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of SSEL and its subsidiary, Indotech Transformers Limited

### About the company

SSEL, 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 as well as private enterprises. SSEL also provides solutions for power transmission and distribution systems through its turnkey projects division.

SSEL acquired a majority stake in Indotech Transformers Limited (ITL) in FY2021 and at present holds a 70.01% stake in ITL. ITL, incorporated in 1992, manufactures power and distribution transformers and various special application transformers, mobile sub-station transformers and sub-stations. The company has its manufacturing facilities in Chennai and Kancheepuram in Tamil Nadu.

### Key financial indicators (audited)

SSEL	Standalone			Consolidated	
	FY2021	FY2022	H1FY23	FY2021	FY2022
Operating income (Rs. crore)	919.5	1335.4	721.3	1088.3	1602.7
PAT (Rs. crore)	88.5	154.2	79.9	100.7	164.4
OPBDIT/OI (%)	17.9%	18.5%	17.6%	16.4%	16.9%
PAT/OI (%)	9.6%	11.5%	11.1%	9.3%	10.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.8	0.6	0.7	0.8
Total debt/OPBDIT (times)	0.73	0.32	0.51	0.7	0.4
Interest coverage (times)	3.99	5.97	5.65	4.1	5.6

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 (FY2024)			Chronology of rating history for the past 3 years							
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in Apr 24, 2023	Date & rating in FY2023		Date & rating in FY2022			Date & rating in FY2021	
						Jun 29, 2022	Jun 03, 2022	Feb 8, 2022	Jul 23, 2021	Jun 17, 2021	Feb 08, 2021	Jul 28, 2020
1	Non-fund-based facilities	Long term and short term	708.65	-	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BB+(positive)/[ICRA]A4+	[ICRA]BB(Stable)/[ICRA]A4	[ICRA]BB(Stable)/[ICRA]A4	[ICRA]B+(Stable)/[ICRA]A4	[ICRA]C+(Stable)/[ICRA]A4
2	Cash credit	Long term	615.48	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Positive)	[ICRA]BB(Stable)	[ICRA]BB(Stable)	[ICRA]B+(Stable)	[ICRA]C+(Stable)
3	Term loan	Long term	50.00	28.69	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-	-	-	-
4	Unallocated limits	Long term and	29.87	--	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BB+(positive)/[ICRA]A4+	[ICRA]BB(Stable)/[ICRA]A4	[ICRA]BB(Stable)/[ICRA]A4	-	-

short  
term

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term/Short-term non-fund-based facilities	Very Simple
Long-term fund-based working capital	Simple
Long-term fund - Term loan	Simple
Long-term/Short-term unallocated limits	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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	615.48	[ICRA]BBB- (Stable)
NA	Non fund based	NA	NA	NA	708.65	[ICRA]BBB- (Stable) /[ICRA]A3
NA	Term loan	March 2022	NA	FY2029	50.00	[ICRA]BBB- (Stable)
NA	Unallocated	NA	NA	NA	29.87	[ICRA]BBB- (Stable) /[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Shirdi Sai Electricals Limited	100.00% (rated entity)	Full Consolidation
Indotech Transformers Limited	70.01%	Full Consolidation

Source: Company

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