

March 17, 2021

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	1,000.0	700.0	[ICRA]A+ (Negative); reaffirmed
Non-fund based – BG/LC	5,245.0	4380.0	[ICRA]A+(Negative)/[ICRA]A1+; reaffirmed
Unallocated	755.0	1920.0	[ICRA]A+(Negative)/[ICRA]A1+; reaffirmed
Total	7,000.00	7,000.0	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation factors in GE T&D India Limited’s (GETDIL) position as one of the major players in the power transmission equipment industry, supported by its established operational track record, wide product/service mix, strong technical capabilities, diversified customer base across public and private sector entities and extensive experience of its parent/management in the industry. Moreover, the company derives technological synergies and financial flexibility from its strong parent—General Electric Company (GE)¹. GETDIL’s sizeable unexecuted order book provides revenue visibility for the medium term. However, timely execution of the same will be the key for driving the company’s future profitability.

The outlook on the long-term rating was earlier revised to Negative due to GETDIL’s weak financial performance in FY2020 and expectation of continued pressure on its performance due to challenging business dynamics and lower order inflow in wake of the Covid-19 pandemic. While ICRA has taken note of the improvement in the company’s performance in recent quarters, sustenance of the same and improvement in order inflow over the medium term will be crucial in enhancing revenue visibility and driving the improvement in credit metrics.

Additionally, the ratings are constrained by stiff competition in the industry, which coupled with the adverse impact of the pandemic and subdued economic activity has moderated order inflow for GETDIL in the current fiscal. The company’s profit margins have exhibited considerable volatility in the recent years because of sizeable provisioning against multiple heads, lower absorption of fixed overheads due to decline in revenues and cost escalations in some ongoing projects. This coupled with high debtor levels (including retention money) has accentuated the funding requirements of the business. Further, an increase in order book concentration towards private sector clients and state utilities, as against Power Grid Corporation of India Limited (PGCIL) in the past, exposes GETDIL to greater execution and counterparty risks and results in increased working capital requirements.

Key rating drivers and their description

Credit strengths

Established business position – GETDIL has an operational track record of several decades in the power transmission equipment industry. 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. Its business operations in India are divided into four heads—products, solutions, automation and services. The company is also involved in manufacturing a wide array of equipment, which supports its revenues and profitability.

¹ rated Baa1 with Negative outlook by Moody’s Investors Service

Benefits from strong parentage – GETDIL derives technical synergies and financial flexibility from its strong parentage (ultimate parent—GE). Additionally, being a part of the GE Group augurs well while bidding for fresh orders, given the access to technology and a wide client base because of the GE Group’s global presence.

Unexecuted order book provides revenue visibility – The order inflow for GETDIL in 9M FY2021 has been lower at around Rs. 1,677 crore against Rs. 2,362 crore in the corresponding previous-year period due to subdued economic activity and adverse impact of the pandemic. Notwithstanding the same, sizeable unexecuted order book of around Rs. 4,900² crore as on December 31, 2020, 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 clientele includes PGCIL, private sector clients and state utilities.

Credit challenges

Intense competition in industry – The stiff competition in power transmission equipment space, characterised by the presence of a number of large Indian companies, is further accentuated by the presence of global majors through joint ventures.

Volatility in profit margins – GETDIL’s profit margins have exhibited considerable volatility in the recent years. Its operating profitability was adversely impacted in FY2020 due to lower absorption of fixed costs, imposition of liquidated damages, provisioning against warranty and diminution of investments of employee provident fund. Moreover, margins remained under pressure in Q1 FY2021 due to disruption to operations due to the pandemic/nationwide lockdown. While there has been improvement in operating margins in the past two quarters on the back of steady execution of the order book and operational cost savings, sustenance of the same and improvement in order inflow over the medium term will be crucial in enhancing revenue visibility and driving the improvement in credit metrics. While future profitability will be contingent on the inherent profitability of incremental order inflow, GETDIL’s ability to execute its order backlog with any considerable time overruns or cost escalations will also be a key rating sensitivity.

Funding requirements elevated by high debtor levels – The funding requirements of the business remain high, primarily because of high debtor levels (including retention money). Sizeable net losses in FY2020 coupled with some delay in recovery of receivables elevated the funding requirements, translating into higher reliance on debt (~Rs. 489.7 crore as on March 31, 2020). Higher debt levels, coupled with decline in profitability, resulted in weakening of debt protection metrics in FY2020. While debtor levels, including retention money, remain high (Rs. 1,916 crore as of December 2020 against Rs. 1,898 crore as on March 31, 2020), improvement in accrual generation has led to some decline in debt levels in the recent quarters. However, the level of recovery in debtors over the next few quarters will drive the funding requirements of the business, including reliance on debt.

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

Liquidity position: Adequate

GETDIL’s liquidity position is adequate supported by improvement in internal accrual generation, free cash balances of (Rs. 62 crore as of December 2020), cushion available in the form of undrawn working capital limits (Rs. 700 crore as of December 2020), no term loan repayment liability and access to the GE Group’s internal line of credit (board approved borrowing limit of Rs. 1,000 crore) from the cash pool. Improvement in cash accrual generation with reduction in receivable levels over the next few quarters, will be the key in driving the future liquidity position.

² includes a non-moving order with pending work of around Rs. 200 crore

Rating sensitivities

Positive factors – Given the Negative outlook, a rating upgrade over the near term is less likely. However, the outlook may be revised to Stable if steady execution of the pending order book and healthy incremental order inflow enable GETDIL to maintain its scale of operations and result in improvement in profit margins and reduction in debt levels on a sustained basis.

Negative factors – GETDIL’s ratings could be downgraded if there is continued pressure on revenues and it is unable to improve profitability due to executional challenges and lower order inflow. Also, stretching of the working capital cycle, exerting pressure on liquidity position, and greater reliance on debt could lead to a ratings downgrade. Moreover, GETDIL’s ratings would be sensitive to a change in the credit profile of the parent–GE.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer’s Credit Rating
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. GE’s shareholding (through subsidiaries) in the company stood at 75% as on March 31, 2020.

Key financial indicators (audited)

Standalone	FY2019	FY2020
Operating Income (Rs. crore)	4,266.4	3,212.5
PAT (Rs. crore)	212.7	- 302.6
OPBDIT/OI (%)	11.5%	-5.0%
RoCE (%)	30.3%	-19.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.9	2.8
Total Debt/OPBDIT (times)	0.2	- 3.0
Interest Coverage (times)	5.8	- 2.4
DSCR (times)	4.2	- 2.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Source: GETDIL, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years							
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2020			Date & Rating in FY2019		Date & Rating in FY2018	
					Mar 17, 2021	Jul 8, 2020	Feb 18, 2020	Nov 14, 2019	Sep 6, 2019	Nov 27, 2018	Jul 2, 2018	May 18, 2017	Apr 12, 2017
1	Fund-based Limits	Long Term	700.0	-	[ICRA]A+(Negative)	[ICRA]A+(Negative)	[ICRA]A+(Stable)	[ICRA]A A-(Negative)	[ICRA]A A-(Stable)	[ICRA]A A-(Stable)	[ICRA]A A (Stable)	[ICRA]A A (Stable)	[ICRA]A A (Stable)
2	Non-fund Based Limits – LC/BG	Long Term/Short Term	4380.0	--	[ICRA]A+(Negative) / [ICRA]A1+	[ICRA]A+(Negative) / [ICRA]A1+	[ICRA]A+(Stable) / [ICRA]A1+	[ICRA]A A-(Negative) / [ICRA]A1+	[ICRA]A A-(Stable) / [ICRA]A1+	[ICRA]A A-(Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+
3	Unallocated	Long Term/Short Term	1920.0	-	[ICRA]A+(Negative) / [ICRA]A1+	[ICRA]A+(Negative) / [ICRA]A1+	[ICRA]A+(Stable) / [ICRA]A1+	[ICRA]A A-(Negative) / [ICRA]A1+	[ICRA]A A-(Stable) / [ICRA]A1+	[ICRA]A A-(Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+	[ICRA]A A (Stable) / [ICRA]A1+

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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based Limits	NA	NA	NA	700.0	[ICRA]A+ (Negative)
NA	Non-fund Based Limits – LC/BG	NA	NA	NA	4380.0	[ICRA]A+ (Negative) / [ICRA]A1+
NA	Unallocated	NA	NA	NA	1920.0	[ICRA]A+ (Negative) / [ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
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