ICRA

June 28, 2022

GE T&D India Limited (erstwhile Alstom T&D India Limited): Ratings downgraded to [ICRA]A(Negative)/[ICRA]A1; outlook remains Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – working capital	610.0	610.0	[ICRA]A(Negative); downgraded from [ICRA]A+(Negative)
Long-term/short -term – non-fund based – BG/LC	4380.0	4380.0	[ICRA]A(Negative)/[ICRA]A1; downgraded from [ICRA]A+(Negative)/[ICRA]A1+
Unallocated	2010.0	2010.0	[ICRA]A(Negative)/[ICRA]A1; downgraded from [ICRA]A+(Negative)/[ICRA]A1+
Total	**7,000.0**	**7,000.0**	

**Instrument details are provided in Annexure-1*

Rationale

The rating downgrade factors in the considerable decline in the revenue of GE T&D India Limited (GETDIL) in FY2022, driven by lower order bookings during the previous year, resulting in operating losses in FY2022. Low order inflow over the last three years has shrunk GETDIL's pending order book year-on-year, which was Rs. 3,722 crore as of March 2022, the lowest in the last 8-10 years. With a low opening order book and no major orders in the first quarter of FY2023, the revenue prospects for the current fiscal year also remain weak. GETDIL's profit margins remain susceptible to the volatility in commodity prices owing to a sizeable number of fixed-price contracts in products other than transformers. Soaring prices of steel, aluminium and copper, which comprise a major part of GETDIL's products, coupled with the fixed-price contracts and under-absorption of fixed cost resulted in operating losses in FY2022. Stiff competition in the industry continues to put pressure on the ability of the company to secure value-accretive orders.

The ratings draw comfort from GETDIL's 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 and the 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]. The ratings are also supported by the company's adequate liquidity position with the presence of cash and liquid balances, unutilised limits from banks and access to GE's cash pool. GE has announced a spin-off of its healthcare (by 2023) and power and renewable energy businesses (by 2024) and ICRA will continue to monitor the developments in this regard with respect to the changes in sponsor profile as well as availability of cash pool.

The outlook on the long-term rating continues to be Negative on account of a subdued order inflow and the pressure on margins due to high commodity prices.

[1] *rated Baa1 with Negative outlook by Moody's Investors Service*

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 also manufactures a wide array of equipment, which supports its revenues and profitability.

Benefits of a strong parent – 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 its access to technology and a wide client base because of the GE Group's global presence.

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

Credit challenges

Contraction in revenues result in operating losses – The fresh order inflow has been on a declining trajectory since FY2020. Delays in tariff-based competitive bid (TBCB) ordering and the absence of any major HVDC order have shrunk the company's order book, which is at its lowest in the last 8-10 years at Rs. 3,722 crore as on March 31, 2022. Given the weak order book position, a further contraction in revenues cannot be ruled out in the current fiscal year.

Intense competition in industry – The power transmission equipment space is highly competitive due to the presence of a number of large Indian companies and global majors (through joint ventures). Thus, the ability of the company to improve its order intake amid intense competition will be critical.

Susceptibility of margins to increase in raw material prices owing to fixed price nature of contracts – The profit margins have moderated due to the increase in the prices of key raw materials - steel, aluminium, copper and oil. As majority of the contracts are of fixed price nature, GETDIL is not able to pass on the cost to its customers. GETDIL's profitability is likely to improve on expectations of softening of commodity prices.

Liquidity position: Adequate

The liquidity position is adequate, supported by free cash balance of Rs. 82.4 crore, cushion in the form of undrawn working capital limit of ~Rs. 463 crore (Rs. 610 crore sanctioned working capital limits) as on March 31, 2022, no term loan repayment liability and access to the GE Group's internal line of credit with a sanctioned limit of Rs. 900 crore from the cash pool (Rs. 753 crore unutilised as on March 31, 2022).

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 a steady execution of the pending order book and a healthy incremental order inflow enable GETDIL to maintain its scale of operations and improve its profit margins, thereby improving the key credit metrics on a sustained basis.

Negative factors – GETDIL's ratings could be downgraded if there is continued pressure on revenues and inability to improve profitability. Also, any stretch in the working capital cycle, exerting pressure on liquidity position, and greater reliance on debt could lead to a rating 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	The ratings are based on the standalone financial profile of the company.

About the Company

GETDIL manufactures power transmission equipment in India. The company provides a range of solutions for connecting and evacuating power from generations sources onto the grid. It manufactures a wide range of products that include power transformers, circuit breakers, gas insulated switchgears, air insulated switchgears, instrument transformers, substation automation equipment, digital software solutions, turnkey solutions for substation engineering and construction, flexible AC transmission systems (FACTS), high voltage DC (HVDC) and maintenance support. GETDIL has six manufacturing units in India and its products range from medium voltage to ultra-high voltage (1200 kV) for power generation, transmission and the distribution industry. GE's shareholding (through subsidiaries) in the company stood at 75% as on March 31, 2022.

Key financial indicators (audited)

GETDIL	FY2021	FY2022
Operating income (Rs. crore)	3480.2	3091.7
PAT (Rs. crore)	60.3	-49.6
OPBDIT/OI	5.3%	-2.4%
PAT/OI	1.7%	-1.6%
Total outside liabilities/Tangible net worth (times)	2.5	2.4
Total debt/OPBDIT (times)	1.2	-2.2
Interest coverage (times)	2.6	-1.6

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 (FY2023)				Chronology of rating history for the past 3 years						
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating	Date & rating in FY2022	Date & rating in FY2021		Date & rating in FY2020			
					28-Jun-22	25-Feb-22	17-Mar-21	8-Jul-20	18-Feb-20	14-Nov-19	6-Sep-19
1	Fund-based limits	Long Term	610	-	**[ICRA]A (Negative)**	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]AA- (Negative)	[ICRA]AA- (Stable)
2	Non-fund based limits – LC/BG	Long Term/Short Term	4380	-	**[ICRA]A (Negative) /[ICRA]A1**	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Stable) /[ICRA]A1+	[ICRA]AA- (Negative) /[ICRA]A1+	[ICRA]AA- (Stable) /[ICRA]A1+
3	Unallocated	Long Term/Short Term	2010	-	**[ICRA]A (Negative) /[ICRA]A1**	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Negative) /[ICRA]A1+	[ICRA]A+ (Stable) /[ICRA]A1+	[ICRA]AA- (Negative) /[ICRA]A1+	[ICRA]AA- (Stable) /[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – working capital limit	Simple
Long-term/short-term – non-fund based – BG/LC	Very Simple
Unallocated	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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – working capital	NA	NA	NA	610.0	[ICRA]A(Negative)
NA	Long-term/short -term – Non-fund based – BG/LC	NA	NA	NA	4380.0	[ICRA]A(Negative)/[ICRA]A1
NA	Unallocated	NA	NA	NA	2010.0	[ICRA]A(Negative)/[ICRA]A1

Source: *Company*

Annexure II: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545304
sabyasachi@icraindia.com

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Siddhartha Kaushik
+91 124 4545323
siddhartha.kaushik@icraindia.com

Parag Somani
+91 124 4545319
parag.somani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
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

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches

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.