

January 06, 2023

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
Long-term fund-based – working capital	610.0	610.0	[ICRA]A (Negative) reaffirmed
Long-term/short-term – non-fund based – BG/LC	4380.0	4380.0	[ICRA]A (Negative)/[ICRA]A1 reaffirmed
Unallocated	2010.0	2010.0	[ICRA]A (Negative)/[ICRA]A1 reaffirmed
Total	7,000.0	7,000.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the 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.

The ratings are constrained by the subdued order inflows which have resulted in muted revenue outlook for the company, intensely competitive industry scenario and susceptibility of the profitability to input price variation given majority of the contracts are fixed price in nature. The company since FY2021 has witnessed subdued order inflow which has resulted in the order book position moderating to Rs. 3,457 crores at the end of H1 FY2023 as against Rs. 4590 crores as on FY2021 end and higher levels prior to that. As a result, the revenue visibility for the company remains modest. As the company has significant fixed cost overheads, the company is expected to achieve subdued profit levels going forward although company is taking several cost saving measures to improve its cost structure. The company also faced significant headwinds on account of the increase in input costs which it was not able to pass on to the customers as majority of the contracts are fixed price in nature.

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 General Electric rated Baa1 with Negative Outlook by Moodys

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

Diverse and reputed 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

Subdued order book position provides limited revenue visibility - 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. 3,457 crore as on September 30, 2022. Given the weak order book position, a further contraction in revenues cannot be ruled out in the current fiscal year.

Intense competition in the 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 profitability to volatility in input prices given 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 company's liquidity profile is supported by un-encumbered cash balances of Rs. 37.5 crore along with unutilised working capital limits of Rs. 658 crore (Rs. 710 crore sanctioned limit) from external lenders, access to GE's cash pool of Rs. 700 crore (earlier the limit was Rs. 900 crore) and Inter Corporate Deposits of Rs. 200 Crore of which Rs. 349 crore was utilized as on September 30, 2022. In absence of any major capex plans and no debt repayment liabilities, the company's liquidity profile remains adequate.

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 in a scenario of healthy incremental order inflow and execution of the order

book leading to improved revenue visibility. The same should lead to improvement in profit margins and credit metrics.

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 parent/group support
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.

Note (for analyst reference only):

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 five 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 September 30, 2022.

Key financial indicators (audited)

Ge TnD	FY2021	FY2022	H1 FY2023
Operating income	3452.4	3066.0	1293.6
PAT	60.3	-49.6	9.1
OPBDIT/OI	4.9%	-2.9%	2.2%
PAT/OI	1.7%	-1.6%	0.7%
Total outside liabilities/Tangible net worth (times)	2.5	2.4	2.3
Total debt/OPBDIT (times)	1.3	-1.8	7.2
Interest coverage (times)	2.0	-1.5	1.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

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		
					6-Jan-23	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+ (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+ (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+ (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: [Click Here](#)

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-NA

Company Name	GE T&D ownership	Consolidation Approach
NA	NA	NA

Source: GETDIL

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