November 27, 2024(Revised)

# GE Vernova T&D India Limited: Long-term rating upgraded to [ICRA]A+ from [ICRA]A; outlook revised to Positive from Stable; short-term rating reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Long-term Fund-based – Working capital** | 472.0 | 472.0 | [ICRA]A+ (Positive); upgraded from [ICRA]A (Stable) & outlook revised to Positive from Stable |
| **Long term/Short -term – Non-fund based – BG/LC** | 3,735.0 | 3,735.0 | [ICRA]A+ (Positive)/[ICRA]A1; long-term rating upgraded from [ICRA]A (Stable); outlook revised to Positive from Stable; short-term rating reaffirmed |
| **Unallocated** | 2,793.0 | 2,793.0 | [ICRA]A+ (Positive)/[ICRA]A1; long-term rating upgraded from [ICRA]A (Stable); outlook revised to Positive from Stable; short-term rating reaffirmed |
| **Total** | **7,000.0** | **7,000.0** | |

**Instrument details are provided in Annexure-I*

## Rationale

The upgrade in the ratings and the revision in the outlook to Positive from Stable factor in ICRA's expectation of a sustained improvement in the credit profile of GE Vernova T&D India Limited (GEVTDIL) as a robust order book position provided healthy revenue visibility. Moreover, the profitability is expected to remain healthy, given the built-in price variation clauses for the transformer orders. Overall, the demand outlook remains healthy in the transmission and distribution (T&D) space, which is likely to drive growth, going forward. Significant renewable integration opportunities and a healthy domestic pipeline of tariff-based competitive bid (TBCB) orders should result in a robust order intake for equipment manufacturers, including GE T&D.

The company reported a robust growth in turnover and order booking in H1 FY2025 with the closing order book at around Rs. 10,000 crore as of September 2024, indicating healthy revenue visibility. The operating profitability also expanded in H1 to around 18% owing to the execution of some high-profit margin orders. While these margins are not likely to be sustained, ICRA expects the profitability to remain healthy with the contractual terms allowing price variation clauses for transformer orders. Healthy profitability and collections helped the company become largely debt-free and generate a robust cash surplus, a large part of which was deployed in the cash pool arrangement as of September-end. The fund-based limit utilisation also remains nil, indicating a comfortable liquidity profile.

The ratings also take into account GEVTDIL's position as one of the major players in the transmission equipment industry, supported by its established operational track record, a 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 - GE Vernova Inc. (GEV).

However, the ratings remain constrained by the high competitive intensity in the power transmission equipment space with the presence of a large number of Indian companies and global majors. ICRA also notes the elevated receivable position, which can impact the working capital cycle and, thus, the liquidity position. The ratings also factor in the concentration and exposure to the power sector.

The Positive outlook on the rating reflects ICRA's opinion that the credit profile of GEVTDIL will continue to improve, driven by a robust order book position, strong domestic demand prospects, healthy profitability and a comfortable liquidity position.

## Key rating drivers and their description

### Credit strengths

**Established business position -** GEVTDIL has an operational track record of several decades in the power transmission equipment industry. This, coupled with access to critical technologies and the 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 strong parentage –** GEVTDIL derives technical synergies and financial flexibility from its strong parentage (ultimate parent—GE Vernova Inc.). 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.

**Strong order book position** – The company reported a robust growth in its order booking in H1 FY2025 with the closing order book at around Rs. 10,000 crore as of September 2024, indicating healthy revenue visibility. The operating profitability also expanded in H1 to around 18% owing to the execution of some high profit margin orders.

**Comfortable credit profile marked by healthy profitability and zero debt levels** – The company's capital structure improved significantly in FY2024 as it turned debt-free with no external and internal borrowings, which led to an improvement in its credit profile. The company generated Rs. 135-crore cash in FY2024 compared to Rs. 46.8 crore in FY2023 owing to an uptick in the collection of retention money.

### Credit challenges

**Intense competition in the industry** - The power transmission equipment space is highly competitive due to the presence of a large number of 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.

**Susceptible to elongation in working capital cycle –** GE Vernova T&D's revenues are vulnerable to the elongation in the working capital cycle due to project-based payments, reliance on utility and government clients with slow disbursement processes, and supply chain disruptions. High inventory levels and extended credit terms curb the cash flow, while regulatory and geopolitical risks can delay project execution. These factors deter revenue recognition, constrain the cash flow and increase the financing costs, impacting the overall profitability and growth.

**Concentration of revenues to power sector –** The company's products and services are tailored specifically to support electricity transmission, distribution and grid stability which increases its reliance on one specific sector, i.e., power to derive its revenues. Any downturn in the power sector will inadvertently exert pressure on the company's revenues.

## Environmental and Social Risks

**Environmental considerations -** GEVTDIL operates at multiple project sites at any point of time and, therefore, the risk of business disruptions on account of physical climate risk at a particular location is low. Risks emanate from the imposition of emission control norms, right of way issues faced by the company's customers in the heavy industrial, transmission and distribution space which can result in deferment of execution timelines and/or deferral of fresh orders in the industry.

**Social considerations -** Entities like GEVTDIL face social risks stemming from the health and safety concerns of workers, which could invite regulatory or legal action, besides reputational harm. GEVTDIL though has a track record of maintaining heathy relationships with its workers/ employees, including contractual labour, with no material incidents of slowdown in execution because of workforce management issues.

## Liquidity position: Adequate

The company's liquidity profile is supported by unencumbered cash balances of around Rs. 80 crore as of September 2024 along with unutilised working limits of around Rs. 870 crore (including cash pool), driven by nil utilisation of these limits. In the absence of any major capex plans and no debt repayment liabilities, the company's liquidity profile remains comfortable.

## Rating sensitivities

**Positive factors –** GEVTDIL's rating could be upgraded if the company demonstrates a strong growth in revenues and a healthy profitability while sustaining its liquidity position and keeping its working capital intensity under check. Further, an improvement in the credit profile of the parent – GE Vernova Inc.- can push the ratings upwards.

**Negative factors –** The outlook on GEVTDIL's rating can be revised to Stable if there is a pressure on the revenue and profitability. Also, any stretch in the working capital cycle, exerting pressure on the liquidity position, and a greater reliance on debt could lead to a negative rating action. Further, an interest coverage of less than 4 times on a sustained basis can result in a downgrade. Moreover, GEVTDIL's ratings would be sensitive to change in the credit profile of the parent – GE Vernova Inc.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology |
| **Parent/Group support** | Ultimate Parent Company: GE Vernova Inc.<br>The ratings are based on implicit support from the 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

GE Vernova T&D India Limited (GEVTDIL, erstwhile GE T&D India Limited) is engaged in the manufacturing of transmission equipment such as transformers, switchgears (both air insulated and gas insulated), control panels/relays, line traps etc. GEVTDIL provides transmission systems, comprising sub-stations ranging from 66 kV to 1,200 kV. However, the company primarily operates in the high voltage space (440 kV and 765 kV), marked by the presence of a few established players like Siemens, ABB, etc.

GEVTDIL's products cater to power generation companies, power transmission companies and industrial end-users, such as players in the infrastructure and oil and gas industries. The company is present at all stages of the power supply chain and offers a wide range of products and related services that include power transformers, circuit breakers, gas insulated switchgears, instrument transformers, sub-station automation equipment, digital software solutions, turnkey solutions for sub-station engineering and construction, flexible AC transmission systems (FACTS), high voltage DC (HVDC) and maintenance support.

## Key financial indicators (audited)

| Standalone | FY2023 | FY2024 | H1 FY25 |
|---|---|---|---|
| Operating income | 2804.3 | 3175.2 | 2066.1 |
| PAT | -1.5 | 181.1 | 279.2 |
| OPBDIT/OI | 5.4% | 10.9% | 18.7% |
| PAT/OI | -0.1% | 5.7% | 13.5% |
| Total outside liabilities/Tangible net worth (times) | 2.3 | 1.8 | 1.8 |
| Total debt/OPBDIT (times) | 1.5 | 0.1 | 0.0 |
| Interest coverage (times) | 2.5 | 8.4 | 80.9 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore ;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

| | Current (FY2025) | | | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2025 | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount rated (Rs. crore) | Nov 27, 2024 | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| **Fund-based limits** | Long term | 472.0 | [ICRA]A+ (Positive) | 12-Apr-24 | [ICRA]A (Stable) | 04-Sep-23 | [ICRA]A (Stable) | 06-Jan-23 | [ICRA]A (Negative) | 25-Feb-22 | [ICRA]A+ (Negative) |
| | | | - | - | - | - | - | 28-Jun-22 | [ICRA]A (Negative) | - | - |
| **Non-fund based limits – LC/BG** | Long term/Short term | 3735.0 | [ICRA]A+ (Positive)/[ICRA]A1 | 12-Apr-24 | [ICRA]A (Stable)/ [ICRA]A1 | 04-Sep-23 | [ICRA]A (Stable)/ [ICRA]A1 | 06-Jan-23 | [ICRA]A (Negative)/ [ICRA]A1 | 25-Feb-22 | [ICRA]A+ (Negative)/ [ICRA]A1+ |
| | | | - | - | - | - | - | 28-Jun-22 | [ICRA]A (Negative)/ [ICRA]A1 | - | - |
| **Unallocated** | Long term/Short term | 2793.0 | [ICRA]A+ (Positive)/[ICRA]A1 | 12-Apr-24 | [ICRA]A (Stable)/ [ICRA]A1 | 04-Sep-23 | [ICRA]A (Stable)/ [ICRA]A1 | 06-Jan-23 | [ICRA]A (Negative)/[ICRA]A1 | 25-Feb-22 | [ICRA]A+ (Negative)/ [ICRA]A1+ |
| | | | - | - | - | - | - | 28-Jun-22 | [ICRA]A (Negative)/[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 | 472.0 | [ICRA]A+ (Positive) |
| NA | Long term/Short -term – Non-fund based – BG/LC | NA | NA | NA | 3735.0 | [ICRA]A+ (Positive)/[ICRA]A1 |
| NA | Unallocated | NA | NA | NA | 2793.0 | [ICRA]A+ (Positive)/[ICRA]A1 |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

### Annexure II: List of entities considered for consolidated analysis – Not Applicable

### Corrigendum:

Document dated November 27, 2024, has been corrected with a revision as detailed below:

Revisions on page number 2 under "Analytical Approach". Name of the support provider revised to GE Vernova Inc. under Parent/Group support.

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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.

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