

September 04, 2023

GE T&D India Limited (erstwhile Alstom T&D India Limited): Ratings reaffirmed; outlook revised to Stable from 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	472.0	[ICRA]A (Stable); reaffirmed; outlook revised to Stable from Negative
Long-term/short-term – Non-fund based – BG/LC	4380.0	3735.0	[ICRA]A (Stable)/[ICRA]A1; reaffirmed; outlook revised to Stable from Negative
Unallocated	2010.0	2793.0	[ICRA]A (Stable)/[ICRA]A1; reaffirmed; outlook revised to Stable from Negative
Total	7,000.0	7,000.0	

*Instrument details are provided in Annexure-I

Rationale

The revision in the outlook to Stable from Negative factors in the improved order booking in the last three quarters and strong demand drivers for both domestic sales and exports, which should provide a boost to both revenues and profitability. Significant renewable integration opportunities globally, especially in the European region, should result in improved export order intake for the company. In addition, a healthy domestic pipeline of tariff-based competitively bid (TBCB) orders should result in a robust order intake for equipment manufacturers, including GE T&D. With an overall investment outlay of Rs 2.44 lakh crore till 2030, as outlined by the Central Electricity Authority in December 2022, the domestic demand for transformers and substations is expected to remain robust over the coming years.

The rating reaffirmation factors in 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). The ratings also factor in the improved profitability margins due to strengthening of the contractual terms as well as higher absorption of overhead costs. The ratings remain 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.

Input cost pressures as well as weak order intake has impacted the revenue, order bookings and profitability in the last three years. However, an improved demand outlook along with cost rationalisation measures should support an improvement in the company's revenue and profitability, going forward. The revenue booking, however, will remain exposed to lumpiness in order intakes and execution; sustained periods of low order intake can severely impact revenue booking and negate the cost optimisation efforts. Additionally, the competitive intensity remains intense, which can impact the order intake as well as the ability of the company to pass on the input cost hikes in incremental orders.

GE had 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 with respect to the changes in sponsor profile as well as availability of cash pool.

The Stable outlook on the rating reflects ICRA's opinion that GETDIL will continue to benefit from its established position in the industry, improved order intake as well as the cost rationalisation measures which should support its revenue booking and profitability.

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 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 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 been serving a large client base over the years. Moreover, its well-diversified clientele includes PGCIL, private sector clients and state utilities.

Credit challenges

Subdued profitability and revenue booking in last two fiscals; cost rationalisation and improved order booking to aid margin expansion - The revenue and profitability had contracted in the last two fiscals due to a weak opening order book. The company has optimised its cost structure and strengthened its contractual terms (inclusion of price variation clauses, improved factoring of cost inflation) which should aid margin expansion at the operating level. Healthy order intake in the last three quarters has improved the revenue visibility, which should further aid an improvement in profitability.

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.

Environmental and Social Risks

Environmental considerations: GETDIL operates at multiple project sites at any point of time and therefore the risk of business disruptions on account of physical climate risks is low. Risks emanate from 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 GETDIL face social risks stemming from the health and safety concerns of workers, manifestation of which could invite regulatory or legal action, besides reputational harm. GETDIL though has a track record of maintaining healthy 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 Rs. 39.4 crore along with unutilised working capital limits of Rs. 722 crore (nil utilisation as on June 30, 2023) from external lenders and access to GE's cash pool of Rs. 700 crore of which Rs. 156.4 crore was utilised as on June 30, 2023. The GE cash pool limit has now been reduced to Rs. 500 crore. Additionally, the company has Rs. 200 crore in the form of inter-corporate deposits from holding company - Grid Equipments Private Limited. In the absence of any major capex plans and no debt repayment liabilities, the company's liquidity profile remains adequate.

Rating sensitivities

Positive factors – GETDIL’s rating could be upgraded if the company demonstrates a healthy growth in revenues and improvement in profitability along with a steady realisation from customers that would push up the interest coverage above 3.5x.

Negative factors – GETDIL’s ratings could be downgraded if there is continued pressure on revenues and profitability. Also, any stretch in the working capital cycle, exerting pressure on the liquidity position, and greater reliance on debt could lead to a downgrade. Moreover, GETDIL’s ratings would be sensitive to 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 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

GETDIL manufactures power transmission equipment in India. The company provides a range of solutions for connecting and evacuating power from generation sources on to 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 the power generation, transmission and the distribution industry. GE’s shareholding (through subsidiaries) in the company stood at 75% as on March 31, 2023.

Key financial indicators (audited)

Standalone	FY2022	FY2023	Q1 FY2024*
Operating income	3067.0	2804.3	717.6
PAT	-49.7	-1.5	28.2
OPBDIT/OI	-2.9%	5.4%	7.1%
PAT/OI	-1.6%	-0.1%	3.9%
Total outside liabilities/Tangible net worth (times)	2.4	2.3	-
Total debt/OPBDIT (times)	-2.0	1.5	-
Interest coverage (times)	-1.5	2.5	4.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating in FY2024 Sep 04, 2023	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	
					Jan 06, 2023	Jun 28, 2022	Feb 25, 2022	Mar 17, 2021	Jul 08, 2020	
1	Fund-based limits	472.0	-	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	
2	Non-fund based limits – LC/BG	3735.0	-	[ICRA]A (Stable)/ [ICRA]A1	[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+	
3	Unallocated	2793.0	-	[ICRA]A (Stable)/ [ICRA]A1	[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+	

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 (Stable)
NA	Long-term/short -term – Non-fund based – BG/LC	NA	NA	NA	3735.0	[ICRA]A (Stable)/ [ICRA]A1
NA	Unallocated	NA	NA	NA	2793.0	[ICRA]A (Stable)/ [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

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