October 03, 2017

Voltamp Transformers Limited

REF.:VTL/SEC/NSE/2017

To,
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Listing Department
"Exchange Plaza,"
Bandra –Kurla Complex,
Bandra (E),
Mumbai 400 051

SCRIPT SYMBOL: VOLTAMP EQ

Dear Sir / Madam,

Sub.: **Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Revision in Credit Rating**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015, please find below the details of revision in ratings for the Company :

Name of the Agency	Bank Facilities	Existing	Revised
CARE Ratings Ltd	Rating on Long term bank facilities	Care AA-	Care AA; Stable
CARE Ratings Ltd	Rating on Long term / Short term bank facilities	Care AA- / Care A1 +	Care AA; Stable /Care A1 +

A copy of the report from Credit Rating Agency covering the rational for revision in Credit rating is enclosed for your information.

We request you to take the above intimation in your records.

Thanking you,

Yours Faithfully,

FOR VOLTAMP TRANSFORMERS LIMITED

SANKET RATHOD
COMPANY SECRETARY & COMPLIANCE OFFICER

Annexure 2
Press Release
Voltamp Transformers Ltd

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	10.00	**CARE AA; Stable (Double A; Outlook: Stable)**	**Revised from CARE AA- (Double A Minus)**
Long term / Short term Bank Facilities	186.03	**CARE AA; Stable/ CARE A1+ (Double A; Outlook: Stable/ A One Plus)**	**Revised from CARE AA-/ CARE A1+ (Double A Minus/ A One Plus)**
Total	**196.03 (Rupees One Hundred Ninety Six crore and Three lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Voltamp Transformers Ltd (VTL) takes into account growth in its scale of operations and profitability during FY17 (refers to period from April 1 to March 31) and Q1FY18; and improvement in client diversity with further increase in income composition from private players.

The ratings continue to draw strength from VTL's established track record in transformer business, experienced management, conservative policy on use of debt with comfortable capital structure and debt coverage indicators along with its healthy liquidity.

The long-term rating, however, continues to be constrained by VTL's moderate scale, susceptibility of its profitability to volatile raw material prices and competitive pressures, and its working capital intensive operations.

VTL's ability to increase its scale of operations, maintain its profitability in light of volatile raw material prices and competition and effectively manage its working capital requirements while maintaining its comfortable capital structure and liquidity shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Improvement in scale of operations and profitability during FY17 and Q1FY18: VTL's total operating income (TOI) increased by around 9% y-o-y in FY17, mainly led by growth of 15% and 17% in the sales

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)
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volume of power transformers and dry type transformers respectively. VTL's PBILDT margin has witnessed an improving trend over the past few years. Its PBILDT margin improved y-o-y by 274 bps to 12.28% in FY17 on the back of reduction in the raw material price and higher sales volume. The improvement in profitability led to a 48% y-o-y increase in VTL's gross cash accruals (GCA) to Rs.73.81 crore in FY17.

The growth trajectory in its TOI and profitability continued during Q1FY18 wherein VTL registered a 13% y-o-y growth in its TOI to Rs.154.06 crore along with improvement in its PBILDT margin by 519 bps y-o-y to 20.63%. Its interest coverage continued to remain very comfortable.

Improvement in client diversity: VTL has a diversified clientele with the top ten customers comprising only 12% of the net sales in FY17 (as against around 33% of the net sales in FY16). The clients are spread across various business segments, including power, refineries, real estate, automobile, infrastructure and steel. Its clientele includes reputed private players which contributed around 95% of VTL's net sales in FY17 (85% in FY16). It has very limited exposure to the State Government electricity segment.

Experienced management with conservative policy on use of debt: The management of the company comprising of Mr Kanubhai S. Patel (Chairman & Managing Director) has rich experience in transformer industry. During past few years, the transformer industry witnessed a challenging phase with subdued order inflow resulting in aggressive bidding by players and consequent dip in profitability, along with elongation in receivables. However, during this phase, VTL was able to meet its working capital requirements and routine capex through internal accruals and its unencumbered liquid investments, without resorting to any external long-term debt or fund-based working capital limits. As on March 31, 2017 VTL had unencumbered liquid investments of Rs.298 crore reflecting its healthy liquidity.

Overall volume growth in the transformer industry during FY17: Growth in the transformer industry during FY17 was mainly led by 16% growth in power transformers which was offset by 11% de-growth in distribution transformers to some extent. As on March 31, 2017, installed power generation capacity from conventional sources was 3,26,848 MW and from renewable sources was 57,260 MW. There was 112% achievement of the projected power generation capacity addition during the 12th five year plan (FY13-FY17) which led to growth in the transformer industry. With huge power generation capacity addition targets and expected revival in power sector and investment cycle, the outlook for power equipment industry is likely to remain stable.

Key Rating Weaknesses

Working capital intensive operations: VTL's operations are inherently working capital intensive, as reflected by its long operating cycle of 135-145 days. This is due to a reasonable inventory holding requirement for smooth execution, along with credit period required to be offered to major clients.

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High receivable days could also be attributed to skewed revenue pattern (around 35% of TOI booked in Q4). Further, VTL does not have any major creditors since the payment to suppliers is made through cash/ advance payment on account of its healthy liquidity.

Exposure to volatile raw material prices and competitive pressures: Prices of raw materials such as copper and cold rolled grain oriented (CRGO) steel, forming around 60% of the total raw material cost have historically remained volatile. CRGO steel is imported in India due to lack of any domestic manufacturing facility, which results in added volatility in its prices due to movement in foreign exchange (forex) rates. Further, the full impact of volatile raw material prices cannot be passed on to customers on account of high competition in the industry. This exposes VTL's profitability to raw material price fluctuation risks and competitive pressures since majority of the company's orders are fixed price in nature. The company does not have any major forex fluctuation risk due to negligible imports of raw materials, as it purchases large part of its CRGO from local players. With no major exports there is no natural hedge against the forex risk.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

Promoted by Mr Lalitkumar Patel and his family in 1967, VTL; CIN No. L31100GJ1967PLC001437; is engaged in manufacturing and sales of electrical transformers.

Its product portfolio comprises oil-filled power and distribution transformers upto 160 mega volt ampere (MVA), 220 kilo volt (KV) class and dry type transformers upto 12.50 MVA, 33 KV class. The products find application in varied industries including power, refineries, real estate, automobile, infrastructure and steel. VTL has a diversified clientele, including private players and government entities, with private players contributing large part of its revenue. The company's production facilities are located at Makarpura and Savli in Vadodara, Gujarat with an aggregate installed capacity of 13,000 MVA per annum, as on March 31, 2017.

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Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	581.18	631.78
PBILDT	55.47	77.60
PAT	43.98	67.97
Overall gearing (times)	0.00	0.00
Interest coverage (times)	126.32	164.53

A: Audited

Further, VTL reported total operating income of Rs.154.06 crore with PBILDT of Rs.20.63 crore during Q1FY18 as against total operating income of Rs.135.82 crore with PBILDT of Rs.15.44 crore during Q1FY17.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.