

Voltamp Transformers Limited

August 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.00	CARE AA; Stable	Reaffirmed
Long-term / Short-term bank facilities	282.50	CARE AA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings of Voltamp Transformers Limited (VTL) continue to derive strength from its established track record of operations in the transformer business with focus on a diversified clientele with good credit quality, which has led to good control over its receivables on a sustained basis. Ratings further derive strength from continued healthy operating performance marked by sustained increase in revenue, healthy operating profit margin and healthy order book providing good revenue visibility. The conservative policy of VTL's management on debt-fuelled growth and healthy cash flow from operations resulted in its comfortable capital structure and debt coverage indicators and strong liquidity. CARE Ratings Limited (CareEdge Ratings) expects VTL's financial risk profile to remain comfortable in the medium term.

However, ratings continue to remain constrained considering VTL's moderate scale of operations, its reliance on non-fund-based working capital limits, and its profitability susceptible to volatile raw material prices and high competitive intensity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) to over ₹2,000 crore and diversification in the product profile.
- Return on capital employed (ROCE) remaining above 20% on a sustained basis and sustenance of a comfortable capital structure and strong liquidity.

Negative factors

- Sustained decline in TOI to below ₹1,000 crore.
- Significant depletion in its liquidity with unencumbered liquid investments falling below ₹300 crore or significant elongation in gross working capital cycle with sustained negative cash flow from operations.
- Deterioration in the overall gearing to beyond 0.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CareEdge Ratings believes VTL's strong presence in the transformer industry with a focus on diversified clientele across varied industries shall support its business risk profile and ensure sustenance of comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced management with long track record of operations in the transformer industry

Late Lalit Kumar Patel, VTL's principal promoter was a technocrat having over four decades of experience in the transformer industry. The company is currently being managed by second generation of the promoter family and a team of professionals. Kunjal L Patel, Vice Chairman, VTL, is the son of late Lalit Kumar Patel and holds a bachelor's degree in electrical engineering. He has three decades of experience in the production and marketing of transformers and looks after the company's overall operations, including purchase and planning, manufacturing, quality control, and design aspects. Kanubhai S Patel, Chairman & Managing Director of the company, is a chartered accountant by profession. He looks after the general management, new business sourcing, and overall strategy-building for VTL.

Focus on diversified clientele with good credit quality resulting in healthy cash flow from operations

VTL has a diversified clientele with over 1,000 customers across end-use industries such as power, oil refinery, textile, chemical, real estate, automobile, infrastructure and steel, spread across the country. The company has established long-standing relationships with reputed players in these industries, which has facilitated in securing repeat orders from its clients. Majority sales in the last three years have been to private sector players having good credit profiles, resulting in limited exposure to state

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

government-owned power sector undertakings, where, receivables are inherently elongated. The company's top 10 customers comprised ~33% of its total sales in FY25 (FY24: 27%). VTL's focus on private sector players with good credit profiles and a diversified clientele has held it in good stead over the years through relatively steady profitability and healthy generation of cash flows through timely realisation of receivables.

Sustained healthy operating performance and comfortable return indicators

VTL's operating performance witnessed a healthy improvement in the last few years supported by increase in the overall demand for transformers and improvement in the realisations. Scale of operations witnessed a compound annual growth rate (CAGR) of ~29% in the last five years ended FY25. In FY25, VTL's revenue grew by 20% y-o-y to ₹1,935 crore supported by ~18% growth in the volume sales and ~1% growth in the realisation. Volume sales stood 15,458 MVA in FY25 (FY24: 13,069 MVA) against capacity of 14,000 MVA. Higher volume sales against the capacity are driven by order rescheduling, where transformers originally scheduled for sales in FY24 were sold in FY25. There was preponement of orders in FY25, originally scheduled for delivery in FY26. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin slightly declined to 18.97% in FY25 from 19.99% in FY24 (FY23: 16.70%) due to increase in raw material prices, partly offset by better absorption of fixed cost. ROCE thus declined to 27.90% in FY25 (FY24: 30.62%; FY23: 24.07%), however it remains very comfortable supported by healthy profitability and healthy returns on its sizeable investment portfolio, which formed a good part of the company's overall capital employed. Revenue for Q1FY26 remained stable at ₹424 crore, (Q1FY25: ₹428 crore) supported by continued healthy realisation even though volume sales declined by 8% y-o-y. Revenue in Q1FY26 was partially impacted to an extent of ~₹47 crore (404 MVA) owing to logistics and regulatory issues at the customers end. PBILDT moderated marginally to 17.15% in Q1FY26 from 17.70% in Q1FY25, primarily due to higher operating costs.

While the company is likely to operate at full capacity utilisation in FY26, given sustained strong demand, revenue in FY26 is expected to remain marginally lower than FY25 owing to lower booking of volumes. PBILDT margin is expected to normalise in view of increasing competitive intensity and likely higher prices of key raw material, cold rolled grain oriented (CRGO) steel, which is also expected to lead to moderation in the overall ROCE to a certain extent.

Healthy order book level provides revenue visibility

VTL has a healthy order book level of ₹1,280 crore as on July 26, 2025, translating to 0.66x the FY25 revenue, which provides good near-term revenue visibility. VTL's selective order booking with focus on cash flows has resulted in its moderate scale of operations over the years, despite relatively stable profitability has led to build-up of significant unencumbered liquid investments that has been maintained in the company. CareEdge Ratings understands that liquidity shall remain in the company given no current utilisation plans.

Comfortable capital structure and healthy debt coverage indicators

VTL's capital structure continues to remain comfortable, marked by a strong net worth base of ₹1,587 crore as on March 31, 2025, against no outstanding fund-based debt (except for interest-free mobilisation advances and lease liabilities). Including lease liabilities and mobilisation advances, overall gearing stood comfortable at 0.06x as on March 31, 2025 (March 31, 2024: 0.07x). Debt coverage indicators, including PBILDT interest coverage and total debt to gross cash accruals (TD/GCA) also continued to remain highly comfortable on the back of its low debt profile, healthy cash flows, and steady profitability.

The company is executing a capex of ₹200 crore for enhancing its power transformer capacity by 6,000 MVA by setting up a new facility at Jarod, Vadodara. The entire capex shall be financed through internal accruals. The company has spent ₹43 crore in FY25, with remaining capex scheduled for FY26. The new facility is expected to commence operations by July 2026. The capacity expansion will enable the company to manufacture transformers with the capacity up to 250 MVA against current 160 MVA. CareEdge Ratings expects VTL's leverage and debt coverage to continue to remain comfortable in the medium term supported by healthy cash flow from operations and the management's conservative stance on availing debt.

Liquidity: Strong

VTL's liquidity continues to remain strong, marked by nil term debt repayment obligations, nil utilisation of fund-based working capital limits, and presence of strong unencumbered liquid investments, which stood at ~₹1,061 crore as on June 30, 2025. The company has a practice of investing maximum of up to 15% of its corpus in equity-oriented funds and balance is invested in debt funds, which mainly includes G-secs and bonds with high credit ratings. The company mainly utilises non-fund-based limits in the form of bank guarantees (BGs) in its normal course of business, average utilisation of which remained high at ~82% for 12-months ended June 30, 2025. The company's liquidity is further underpinned by its healthy current ratio of 4.36x as on March 31, 2025. With a comfortable capital structure, VTL has sufficient gearing headroom to raise additional debt for its capex and working capital needs.

Key weaknesses

Moderate scale of operations

VTL's scale of operations is expected to remain at a moderate level compared to the size of the transformer industry and larger capital goods industry. The company is undertaking the capex, which is expected to enhance the current capacity by ~43%. Enhanced capacity is expected to be operational by July 2026. Significant increase in TOI and diversification of product profile while generating healthy cash flow from operations and maintaining its healthy leverage and debt coverage indicators will remain a key rating sensitivity.

Profitability susceptibility to raw material prices; high competitive intensity

Primary raw materials required by VTL are copper, silicon steel, CRGO steel, and transformer oil. Prices of these raw materials are highly volatile, as they are linked to the prices in the global market. This exposes the company's profitability to raw material price fluctuation risks, since most of the company's orders are fixed price in nature. Global manufacturing of CRGO steel is concentrated among 15 major suppliers and the lack of meaningful domestic manufacturing capacity, exposes the company to price volatility arising from forex fluctuation encountered by the importers of this material, from whom the company procures it locally. The company does not have major direct imports or export income and has a reasonable hedging policy in place for its major raw materials (mainly copper). The company has been able to safeguard itself from major impact on the back of the timely revision in product prices. The risk is partially offset by the company's selective order booking. High price volatility of its key input materials continues to remain a threat to the company's profitability.

Reliance on non-fund-based working capital limits

VTL's operations are heavily reliant on non-fund-based working capital limits since it has to extend BGs (performance and financial) to its customers; average tenor of performance bank guarantees (PBGs) extended by it for transformers sold by it range from 3-6 years. However, there has not been any instance of invocation of such guarantee extended by the company in the last many years. In the last many years, the transformer failure rates on its supplied products have been low. VTL's transformers have shown low defects and failures, as reflected from its low expenditure on repairs, and hence, restricted requirement of accumulation of funds in its provisions for warranties, which usually ranges from 12-60 months.

The PBGs are normally extended by VTL for the defect liability period on the transformers supplied to its clients and occasionally also for the release of retention money. Financial BGs are required by it for the availing of mobilisation advances. However, a large part of the guarantees issued by the company are PBGs.

Environment, social, and governance (ESG) risks

Risk Factors	Compliance and action by the company
Environmental	<p>The following management systems have been implemented:</p> <ul style="list-style-type: none"> • ISO 9001:2015 Quality Management System • ISO 14001:2015 Environment Management System • ISO 45001:2018 Occupational Health & Safety Management System <p>NABL-Accredited in-house laboratories for testing and calibration. As a part of steps to achieve carbon neutrality, the Company has installed rooftop solar for electrification at all factory locations and set a deadline that by 2027 all electricity needs will be fulfilled from renewable sources only.</p> <p>Aligned with its goal to achieve net-zero GHG emissions by 2030, the company has undertaken significant initiatives including retrofitting legacy systems with modern energy-efficient equipment, deploying variable frequency drives and installing sensor-based LED lighting across all campuses.</p>
Social	<p>The company implemented HSE Management system per ISO 14001 & 45001 and continual improvements are done. Activity-based risk assessment is conducted for all activities, which present a risk to HSE. Training plans are also developed based on assessment of the current level of competence and awareness. All staff and person working on behalf of the company participates in training as defined in the training plan. Hazards and control measures are communicated before start of the activity and monitored to ensure that controls are implemented. Internal and external audits are carried out to check the adequacy of systems, procedures, and controls implemented.</p>
Governance	<p>The Board of the company comprises six directors including three independent Directors. The Company has established systems and procedures to ensure that its Board is well-informed and well equipped to</p>

	fulfil its overall responsibilities and to provide the management with the strategic direction needed to create long-term shareholders value.
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Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Heavy electrical equipment

Promoted by the late Lalit Kumar Patel in 1967, VTL is engaged in manufacturing electrical transformers. Its product portfolio comprises oil-filled power and distribution transformers up to 160 mega volt ampere (MVA), 220 kilo volt (KV) class, and dry-type transformers up to 12.50 MVA, 33 KV class. The products find application in varied industries, including power, oil refinery, real estate, infrastructure, and steel. The company's production facilities are at Makarpura and Savli in Vadodara, Gujarat, with an aggregate installed capacity of 14,000 MVA as on March 31, 2025.

The company is expanding its power transformer capacity by 6,000 MVA by setting up a new facility at Jarod, Vadodara. The project is expected to commence operations from July 2026.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	1,616.71	1,934.97	423.58
PBILDT	323.10	367.12	72.64
PAT	307.36	325.41	79.55
Overall gearing (times)	0.07	0.06	NA
Interest coverage (times)	155.22	253.88	230.76

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results
Financials are reclassified per CareEdge Ratings standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	10.00	CARE AA; Stable
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	282.50	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	282.50	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (09-Sep-24)	1)CARE AA; Stable / CARE A1+ (04-Oct-23)	1)CARE AA; Stable / CARE A1+ (27-Sep-22)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Sep-24)	1)CARE AA; Stable (04-Oct-23)	1)CARE AA; Stable (27-Sep-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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