DECEMBER 31, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF TRANSFORMERS & RECTIFIERS (INDIA) LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	14.41 (reduced from 16.63)	**CARE BBB+; Positive (Triple B Plus; Outlook: Positive)**	**Reaffirmed**
Short term Bank Facilities	131.00	**CARE A3+ (A Three Plus)**	**Reaffirmed**
Long term / Short term Bank Facilities	723.00	**CARE BBB+; Positive / CARE A3+ (Triple B Plus; Outlook: Positive / A Three Plus)**	**Reaffirmed**
Total	**868.41 (Rs. Eight Hundred Sixty Eight crore and Forty One lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of Transformers and Rectifiers (India) Ltd (TRIL) continue to draw strength from its established position as one of the leading domestic transformer manufacturers, strong technological tie-ups, well-established client base and stable industry outlook.

The ratings continue to take into account increase in TRIL's total operating income (TOI) and profitability for three quarters ended in Q2FY17 (FY refers to the period April 1 to March 31) after a subdued performance over few quarters ended Q3FY16; along with its healthy revenue visibility.

The ratings also take cognizance of TRIL's new joint venture (JV) with China's Jiangsu Jingke Smart Electric Company (Jingke) for manufacturing of switchgears, with nominal requirement of deployment of internal accruals in the JV in near term.

The ratings continue to be constrained on account of TRIL's working capital intensive operations which resulted in deterioration in company's overall gearing as on September 30, 2016, its moderate debt coverage indicators and exposure to volatile raw material prices.

Ability of the company to further increase its scale of operations and improve profitability and capital structure shall remain the key rating sensitivities. Furthermore, extent of investment in subsidiaries and JVs going forward with its funding pattern shall also be a key rating monitorable.

Outlook: Positive

The positive outlook reflects CARE's expectations of improvement in TRIL's credit risk profile in the medium term with increase in scale of operations and improvement in profitability, overall gearing and debt coverage indicators. This is expected on the back of healthy order book position, executable in near to mid-term, and TRIL's foray into a new product segment.

The outlook shall be revised to stable in case of lower than expected improvement in the credit risk profile or any significant debt / internal accruals funded investment or capex, resulting in moderation in capital structure and debt coverage indicators.

Background

Promoted by Mr Jitendra Mamtora in 1994, TRIL is engaged in manufacturing of electrical transformers and reactors which find application in power and industrial sectors. The company is amongst the largest domestic transformer manufacturers with an aggregate installed capacity of 33,200 mega volt ampere (MVA) as on March 31, 2016 at its three units at Odhav (1,200 MVA), Changodar (12,000 MVA) and Moraiya (20,000 MVA) in Ahmedabad.

It is present in the entire range of transformers, including power transformers upto 500 MVA, 1150 KV class and distribution transformers upto 5 MVA, 33 KV class. Besides, it also manufactures induction, electric arc furnace and rectifier transformers.

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

As per the audited results for FY16 (refers to the period April 1 to March 31), TRIL registered a TOI of Rs.581.81 crore with a net loss of Rs.8.54 crore, as against a TOI of Rs.544.74 crore with a net loss of Rs.6.45 crore in FY15.
As per the unaudited results for H1FY17, TRIL registered a TOI of Rs.424.52 crore with a profit after tax of Rs.10.35 crore, as against a TOI of Rs.203.83 crore with net loss of Rs.14.84 crore in H1FY16.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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