OCTOBER 07, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF VOLTAMP TRANSFORMERS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	10	**CARE AA- (Double A Minus)**	Reaffirmed
Long-term/ Short-term Bank Facilities	188.30	**CARE AA-/CARE A1+ (Double A Minus)/ (A One Plus)**	Reaffirmed
Total Facilities	**198.30 (Rupees One Hundred Ninety Eight Crore and Thirty Lakhs Only)**		

Rating Rationale

The ratings of VTL continue to take into account its long track record and established market position in the transformer business along with a diversified clientele and experienced management which has a conservative policy on the use of debt. The same has enabled the company to successfully navigate through a challenging phase in the transformer manufacturing industry during the past few years. VTL has a diversified customer base across industries such as power, fertilizer, steel etc. The ratings also continue to factor VTL's comfortable capital structure, debt coverage indicators and liquidity with large free/ unencumbered investments; the amount of unencumbered investments stood at Rs.214 crore as on March 31, 2015.

The long-term rating is, however, constrained by moderation in its profitability and slow realization of debtors due to subdued demand scenario in the domestic transformer industry amidst stiff competition. The rating is further constrained on account of susceptibility of its profitability to volatile raw material prices especially on the back of its predominantly fixed-price order book.

VTL's ability to increase its scale of operations and improve its profitability in light of intensifying competition; and effectively manage its working capital requirements while maintaining its favorable capital structure and liquidity cushion are the key rating sensitivities.

Background

Promoted by Mr Lalitkumar Patel and his family in 1967, VTL (CIN: L31100GJ1967PLC001437) is engaged in the manufacturing and sale of oil-filled power and distribution transformers and dry type transformers for diversified end user clientele across various government, semi-government and private sector entities in varied industries including power, refineries, steel, etc. among others. VTL's promoter group held around 47% of its shares while around 38% was held by various financial institutions and the rest by the public as on June 30, 2015.

VTL's production facilities are located at Makarpura and Savli in Vadodara with a total installed transformer capacity of 13,000 mega volt ampere (MVA) per annum as on March 31, 2015.

During FY15 (refers to the period April 1 to March 31), VTL reported a Total Operating Income (TOI) of Rs.529.74 crore (FY14: Rs.464.57 crore) with a PAT of Rs.28.41 crore (FY14: Rs.26.29 crore). As per the unaudited financial results for Q1FY16, VTL has reported a TOI of Rs.93.50 crore (Q1FY15: Rs.89.51 crore) with a PAT of Rs.6.43 crore (Q1FY15: Rs.6.73 crore).

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

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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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