

## Voltamp Transformers Ltd — 09 Sep 2024 Credit Rating Summary

Section	Details
<b>Agency</b>	CARE Ratings Ltd. (September 09, 2024)
<b>Rating Change</b>	<b>Reaffirmed</b> at <b>CARE AA</b> (Long Term) and <b>CARE A1+</b> (Short Term). No notches moved.
<b>Outlook</b>	<b>Stable</b> (Current) vs <b>Stable</b> (Previous).
<b>Key Drivers of Change</b>	<ol style="list-style-type: none"> <li><b>Robust Earnings Growth:</b> FY24 Revenue grew 17% to <b>₹1,616.71 Cr</b>; PBILDT margins expanded to <b>20.00%</b> (from 16.70% in FY23) due to higher realizations and inventory gains.</li> <li><b>Exceptional Solvency:</b> Overall gearing remains ultra-low at <b>0.07x</b> on a Net Worth of <b>₹1,353 Cr</b>; interest coverage at a massive <b>155x</b>.</li> <li><b>Strong Revenue Visibility:</b> Order book of <b>₹1,475 Cr</b> (as of Aug 2024) ensures near-term growth despite high capacity utilization (93% in FY24).</li> <li><b>Liquidity Cushion:</b> Unencumbered liquid investments of <b>~₹800 Cr</b> provide significant protection against cyclical downturns.</li> </ol>
<b>Rated Instruments</b>	<ul style="list-style-type: none"> <li><b>Non-fund-based (Bank Guarantee):</b> ₹282.50 Cr</li> </ul>
<b>Key Observations</b>	<ul style="list-style-type: none"> <li><b>Asset-Light/Debt-Free Expansion:</b> ₹200 Cr capex to increase capacity from 14k to 20k MVA is entirely self-funded via internal accruals.</li> <li><b>Client Quality:</b> Shifted focus to private sector players to avoid state utility payment delays; Top 10 clients contribute 27% of sales.</li> <li><b>Efficiency:</b> ROCE surged to <b>30.62%</b> in FY24 (vs 19.25% in FY22) driven by operational scale and high investment income.</li> <li><b>Supply Chain Risk:</b> Critical reliance on CRGO steel (imported/highly volatile) and copper; fixed-price contracts expose margins to price spikes.</li> <li><b>Competitive Intensity:</b> Despite growth, VTL remains a "moderate scale" player compared to global capital goods giants.</li> <li><b>Warranty Risk:</b> Heavy reliance on Non-fund based limits for long-term Performance Bank Guarantees (3–6 years).</li> </ul>
<b>Investor Impact</b>	<ul style="list-style-type: none"> <li><b>Growth:</b> Revenue growth likely to taper to 5–6% in FY25 until new capacity (up to 250 MVA) goes live in Q1FY27.</li> <li><b>Margins:</b> CARE expects margins to "normalize" (mean-revert) from current 20% due to rising CRGO steel costs and competition.</li> <li><b>Dilution/Leverage:</b> Zero risk of equity dilution or debt stress; the company operates effectively as a "Net Cash" entity.</li> <li><b>Capital Allocation:</b> Sizeable cash pile (₹800 Cr) generates steady "other income" but awaits deployment in the ₹200 Cr capex.</li> </ul>
<b>Agency / Cross Analysis</b>	<p><b>Same Agency:</b> CARE has maintained the AA/Stable rating since 2021. The rationale has shifted from "conservative survival" to "profitable scaling." Financial metrics (ROCE/Margins) have significantly outperformed the rating threshold, yet the rating is capped by "moderate scale" and "product concentration."</p> <p><b>Conclusion: Improvement in fundamentals</b> is outpacing the rating grade, suggesting a potential upgrade if TOI exceeds ₹2,000 Cr.</p>
<b>Final Inference</b>	<b>Real improvement signal.</b> VTL is a high-quality "Cash Cow" in the power equipment space. While the rating remains AA, the 30%+ ROCE and zero debt suggest a "fortress balance sheet" ready to fund the next growth leg (FY27) without external capital.