

INDO TECH

A subsidiary of Shirdi Sai Electricals Limited



3C CAPITALS
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Date: 24th March 2023 | CMP = 168 | BSE: 532717 | NSE: INDOTECH

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Company Snapshot

❑ **Two Phase Buying Strategy = Buy 50% between INR 168-172 (CMP = 168 as on 24th Mar'23) and rest 50% between INR 130-140.**

❑ **Price Target = INR 250 in next 12 months & INR 1500+ in next 5 years. It can deliver ~30-35% CAGR over the period of next 5 years.**

❑ ITL, incorporated in 1992, manufactures power and distribution transformers and various special application transformers and mobile sub-station transformers. The company's manufacturing plants are at Chennai and Kancheepuram in Tamil Nadu.

❑ ITL is a subsidiary of Shirdi Sai Electricals Limited (SSEL) which currently holds a 70.01% stake in ITL. SSEL had bought a majority stake from ITL's erstwhile promoters - Prolec GE (a joint venture between Mexican industrial group Xignux S.A. de C.V., and General Electric Company) in FY20.

❑ SSEL incorporated in 1994, manufactures power and distribution transformers (up to 20 MVA, 66 kV).

Market Cap: ₹ 180 Cr.

Current Market Price: ₹ 168

52 Week high/low: ₹ 264/151

PE : 14.8

ROE: 8.67%

ROCE: 13.8%

Mcap/Sales = 0.61

Promoter's Holding: 75.0%

Debt to Equity: 0.07

Dividend Payout :0.00 %

Pledged Percentage: 58.8%

PEG ratio: 0.63

Sales Growth (5Y) : 13%

Profit Growth (5Y) : 25%

Free cash flow (5Y) : ₹ 29.2 Cr.

Source: Screener.in, As on 24th March, 2023

Industry Overview (1/3)

- ❑ **The global renewable power generation is set to be the fastest growing source of electricity supply in 2022, up 10%, while low-carbon generation is seen up 7%, which is expected to exceed demand growth and lead to a 1% drop in total fossil fuel generation.** The energy transition gained momentum last year, as countries continued to deliver on the decade of action through increased renewables deployment; but the rate of growth is still not sufficient to guarantee a net zero future. **Renewables need to reach around 40 per cent in total energy generation across all sectors by 2030 from present level of 14%.**
- ❑ **According to the International Renewable Energy Agency (IRENA) report, the cost of generating power from renewable energy sources has reached parity or dropped below the cost of fossil fuels for many technologies.** Biomass, hydropower, geothermal and onshore wind are all competitive with, or cheaper than, coal, oil and gas-fired power stations – cheaper even without financial support and despite falling oil prices. Solar photovoltaic (PV) is the most competitive, with solar PV module costs falling 75 per cent since 2009 and the cost of electricity from utility-scale solar PV dropping by 50 per cent since 2010. Residential solar PV systems are now 70% cheaper than they were in 2008.
- ❑ **As per the Electricity Market Report by International Energy Agency (IEA) during 2022-2024, it expects rapidly growing renewables to almost match moderate demand growth. It anticipates average annual electricity demand growth of 2.7%,** but the Covid-19 pandemic and high energy prices add uncertainty to this.



Industry Overview (2/3)

- ❑ **The Indian Power Sector** is going through defining times with significant push given by the government under its **various schemes** such as ‘Power for All’, ‘One Nation-One Grid’, and its climate change mission statement ‘Panchamrit’, wherein the country realigns its power demand with more focus on alternate sources of power and reduction of its dependence on coal as a raw material to derive electricity.
- ❑ This is in addition to India’s ambitious target to achieve **Net Zero Missions by 2070**. As part of its plan to move from fossil fuel to renewable energy source, the Government of India (GoI) has been working towards rejigging its energy mix to focus on becoming a ‘gas-based economy’.
- ❑ **By 2030, the government aims to increase non-fossil fuel based energy capacity to 500 GW, meeting 50% of its energy requirements by renewable energy sources, and reduce carbon intensity of the economy to less than 45%**. As per the latest figures on the National Power Portal (as on March 2022), the total installed capacity stands at 3,95,805.86 MW (395.80 GW). In terms of the sector-wise division of installed capacity, central sector holds 25.01%, state sector 26.49% and private sector 48.50%. **By 2030, the country aims to have 280 GW of installed solar power.**

Total generation in India FY22 (including renewable sources) (BU)

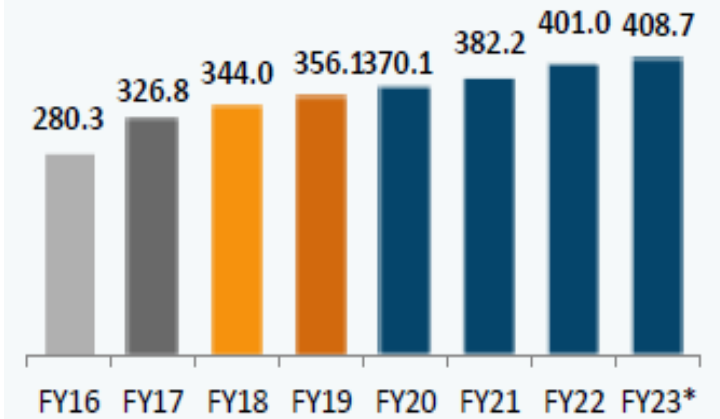


Source: www.ibef.org

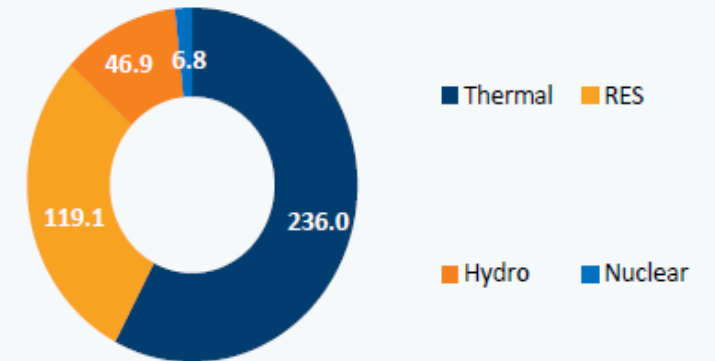
Industry Overview (3/3)

- ❑ The government has also approved the Green Energy Corridor (GEC) - Intra-State Transmission System Phase-II scheme. The scheme will facilitate grid integration and power evacuation of approximately 20 GW of Renewable Energy (RE) power projects in seven states namely, Gujarat, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Tamil Nadu and Uttar Pradesh. This scheme will enable the country to achieve its target of 450 MW of installed Renewable Energy (RE) power capacity by 2030. Moreover, it will contribute towards long term energy security of the country and promote ecologically sustainable growth by reducing carbon footprint. It will generate large direct and indirect employment opportunities for both skilled and unskilled personnel in power and other related sectors.
- ❑ Under the Union Budget 2022-23, the government announced the issuance of sovereign green bonds, as well as conferring infrastructure status to energy storage systems, including grid scale battery systems. The government also allocated ₹ 19,500 crore (US\$ 2.57 billion) for a PLI scheme to boost manufacturing of high-efficiency solar modules.
- ❑ The power sector is a key enabler of India's economic development. The sector with its three pillars: **Generation, Transmission and Distribution**, is crucial to India's infrastructure and economic growth. The global stature of the Indian Power Sector is depicted well by its positioning in terms of generation capacity. India is ranked 3rd in the world in terms of electricity generation, 4th in installed renewable energy capacity, and 6th in installed Hydro capacity, as reported by international agencies like IEA, Statista, IRENA etc.

Installed Electricity Generation Capacity (GW)



Installed Capacity for Different Sources of Power – FY23* (GW)

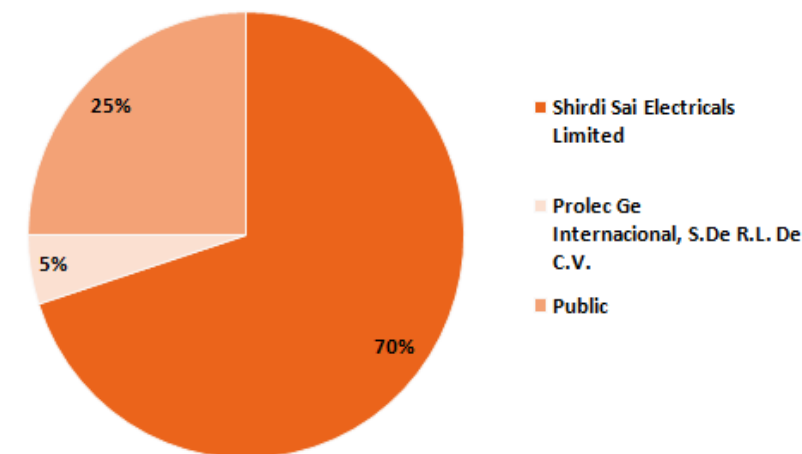


Note:
GW – Gigawatt; * - Till October 31, 2022

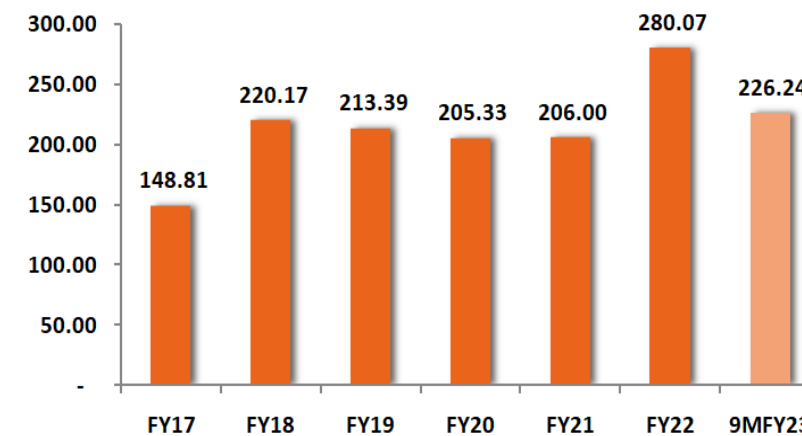
Company Overview

- ❑ Indo Tech Transformers Ltd was, established in 1992 is one of the leading transformer manufacturing Companies situated in Southern India having manufacturing facilities at Kancheepuram in Tamil Nadu. Over 56000 Transformers of different ratings up to 245 KV are in service in various Substations and Industries across India and around the world.
- ❑ Indo Tech Transformers Limited is engaged in the business of manufacturing Power, Distribution Invertor, Convertor special application transformers , **catering to various industries like Transmission, Generation, Hydro, Wind, Solar, Cement, Textiles etc.**
- ❑ The Company's facilities are established keeping in mind the best available infrastructure and with **state of the art equipment's for manufacturing and testing.** The Extra High Voltage (EHV) transformers facility is totally dust free to enable manufacture transformers under very sterile conditions. **The testing lab accredited by NEBL** equipped to carry out all routine and special tests as required by various national and international standards.
- ❑ The Company **manufactures transformers which are used to transfer electricity from one circuit to another with changing voltage level but no frequency change.** The Company is increasingly focusing on 220 KV class Transmission equipment due to enhanced focus of Government on power generation from renewable sources.

Share Holding %



Sales Amount in Crores



Source: Company Disclosures

Indo Tech's Product Portfolio (1/2)



Distribution Transformers

- ❑ Indo Tech manufacture a range of Distribution Transformers suitable for use in Utilities and industries. Distribution Transformers ranging between 100KVA /11KV to up to 5000KVA/33KV for residential, commercial and industrial applications with various options and features are custom-made as per customer's requirement. These transformers are manufactured at companies Kancheepuram plant with installed capacity of 1000 MVA per year.



Power Transformers

- ❑ Company manufacture a range of Power Transformers between 5MVA/33KV to 31.5MVA/132KV including two winding, three winding and auto transformers. The medium sized Power Transformers are manufactured at the Kancheepuram facility.



Large Power Transformers

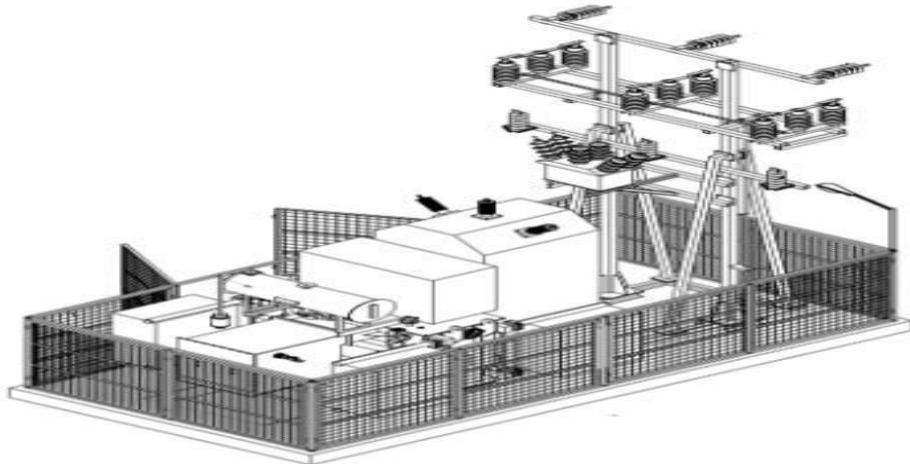
- ❑ Company manufacture Large Power Transformers in the state of the art facility at Kancheepuram having installed capacity of 6000 MVA. The range starting from 5 MVA/11KV up to 200 MVA / 230 KV including substation, generator step up/down, two winding, three winding and Auto Transformers. These transformers are manufactured under sterile conditions and with the best available materials and processes.

Source: Company Disclosures



Skid Mounted Substation

- ❑ Skid mounted substations developed up to 5 MVA, 11 – 33 KV(HV) for wind mills which provides transformer integrated with HV side protection gear complete with breaker and panel.
- ❑ The complete unit comprised of transformer, HV bushings to breaker panel bus-duct, HV breaker & panel, LV side cable box connections. All components were designed to be assembled on single skid and transported to customer premises a single unit.
- ❑ The entire assembly was reinforced at critical points to bear transportation loads. The transformer was sent with radiator/conservator mounted and completely oil filled to avoid any mounting and oil filtration at site.
- ❑ The skid mounted substation resulted in great savings for customer in terms of erection time and the space needed when compared with conventional DP yard substations. The savings in space was estimated to be close to 50% and the erection time crashed by 60%.



Source: Company Disclosures

Esteemed Clientele (1/2)

- ❖ *Its clientele includes some of the renowned companies, leading Hotels, Hospitals, Steel and Cement Plants etc. Its transformers are in service at many Ferrous and Non-Ferrous metal industries throughout the country.*



Source: Company Disclosures

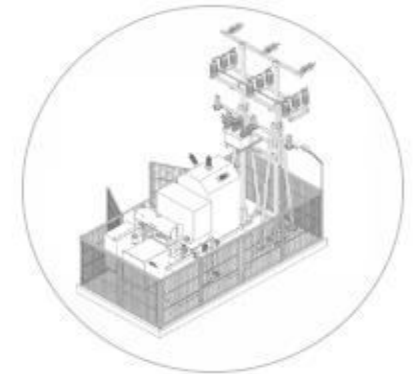
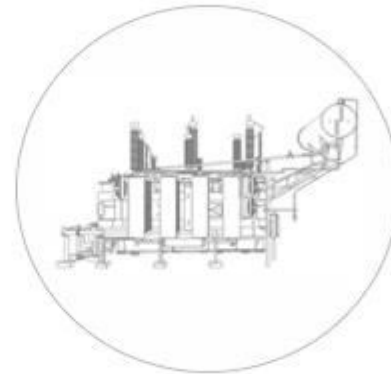
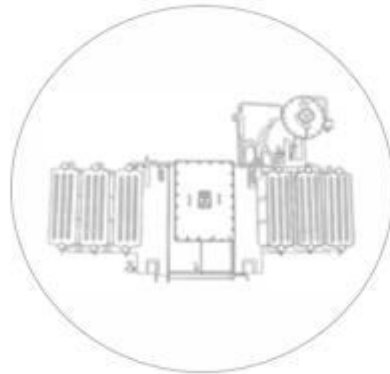
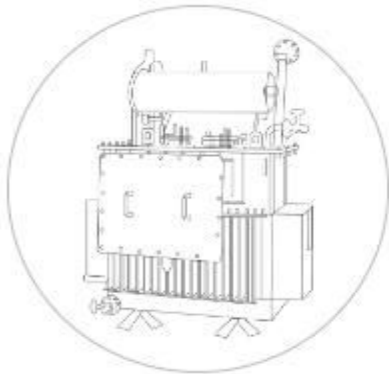
Esteemed Clientele (2/2)

❖ *Its some of main Clients includes:*



**Jayaswal Neco
Industries Limited**

- ❖ *Additionally, Company served industrial clients through various leading electrical consultants like M.N. Dastur & Co, EIL, Mecon, Fichtner, PGCIL, Avant Garde, TCE etc.*
- ❖ *Indo Tech also approved by leading Inspecting Agencies like RITES, LLOYDS, CPRI, BUREAU VERITAS, TUV, SGS etc.*



Source: Company Disclosures

Major Turnaround of Management

- ❑ **Shirdi Sai Electricals Limited (SSEL) had bought majority stake from the Indo Tech's erstwhile promoters - Prolec GE** (a joint venture between a Mexican industrial group, Xignux S.A. de C.V., and General Electric Company (GE)) in 2020.
- ❑ The open offer of Shirdi Sai Electricals Limited was completed in September 2020 and it had become the new promoter of the Company holding 73.64 % shares along with its Persons Acting in Concert (PAC).
- ❑ **Prolec GE, continued to hold 4.99% stake in the company as the second promoter.** There were two promoters for the period under review i.e. in financial year 2021-22, and the consolidated holding of promoters after such acquisition was exceeding 75% (Prolec GE-4.99% and Shirdi Sai Electricals Limited-73.64%).
- ❑ As such Shirdi Sai Electricals Limited made an **Offer For Sale (OFS) @ ₹ 140 per share in the Month of August, 2021** and sold its stake of 3.63% in order to reduce the promoters holding to the stipulated limit of 75%. Now the promoters of the company hold 75% of paid-up capital of the company as on 31st March, 2022.
- ❑ Shirdi Sai Electricals Limited (SSEL) incorporated in 1994, is into the business of manufacturing of power and distribution transformers (up to 20 MVA, 66 kV). The company has a transformer manufacturing facility in Kadapa, Andhra Pradesh. It designs and manufactures power and distribution transformers to cater to the needs of electricity utilities as well as private enterprises. SSEL also provides solutions for power transmission and distribution systems through its turnkey projects division.



1994
—
Year of Establishment

\$170^{Mn+}
—
Annual Revenues

1000⁺
—
Number of Employees

400^{K+}
—
Number of
Transformers
Supplied

9⁺
—
Countries Supplied

For more details visit: www.ssel.in

Source: Company Disclosures

Increased focus on Renewable Energy in the Power Industry



- ❑ **India's ambitious renewable energy goals are transforming its power sector.** Rising population and widespread electrification in rural homes is fuelling the demand for energy to power homes, businesses and communities. Clean energy will reduce pollution levels as villages become self-sustainable with their use of clean energy. **It is expected that by 2040, around 49% of the total electricity will be generated by renewable energy** as more efficient batteries will be used to store electricity, **which will further cut the solar energy cost by 66% as compared to the current cost.** Use of renewable in place of coal will save India ₹ 54,000 crore (US\$ 8.43 billion) annually. **Around 15,000 MW of wind-solar hybrid capacity is expected to be added between 2020-25.**
- ❑ As per the Central Electricity Authority (CEA) estimates, **by 2029-30, the share of renewable energy generation would increase from 18% to 44%, while that of thermal is expected to reduce from 78% to 52%.** The CEA also estimates India's power requirement to grow to reach 817 GW by 2030.

- ❑ In the Solar and Wind park, transformers are required as part of the power evacuation system. Step-up generation transformers (33KV) would be needed at each power injection point in the solar park from where power would be transmitted to the nearest substation, which will have a step-up transformer (33KV/220KV), which will raise voltage to higher levels for feeding into the power grid.
- ❑ The company hopes that renewable energy parks can create enough demand. The Government of India is planning to invite bids for the largest solar tender in the world for installing 20 GW of solar power capacity to give a boost to manufacturing of solar power equipment in India. As Government is pushing Electric vehicle mobility technology very actively, we see there will be demand of Electric vehicle charging stations. These stations will need high power of electricity which is provided at high voltage and thus need Transformers to reduce it low voltage level.

Governments Focus on DISCOM's Restructuring Under Revamped Distribution Sector Scheme



Article Source: [Mint](#)


- ❑ In budget 2021-22, the Union government announced the launch of a “reforms-based and results-linked” scheme for the distribution sector with the objective of improving the financial health and operational efficiency of discoms by reducing the aggregate technical and commercial (AT&C) losses.
- ❑ Subsequently, the Revamped distribution sector scheme was notified in July with an overall outlay of ₹ 3.03 trillion. This is inclusive of a budgetary grant/support of ₹ 97,631 crore, spread over a five-year period.
- ❑ Under the scheme, AT&C losses are sought to be brought down to 12-15% by 2025-26, through smart metering and upgradation of the distribution infrastructure, including the segregation of agriculture feeders.
- ❑ As of April 2022, the Government of India has approved proposals of 13 states under this scheme with a financial outlay of about ₹1.62 trillion.
- ❑ In FY2022-23, [Union Budget to double discom reform outlay to 15,000 crores](#)
- ❑ The Centre is likely to double the allocation for the revamped distribution sector scheme (RDSS) to around ₹ 15,000 crore in the union budget for 2023-24 from ₹ 7,565.59 crore in the current fiscal year, as it seeks to streamline and modernize the power distribution sector.

Investment Thesis (4/4)

Rise in government capital spending pushes investments up by 53%

Total investment projects in the first nine months of FY23 have crossed ₹21 lakh crore, 53.2% higher than FY22. The share of government projects increased in FY23, by around 7% points compared to FY22, while that of private sector declined

Ownership	Q1-Q3 FY22	Q1-Q3 FY23
Government	28.56%	35.70%
Central govt.	14.21%	16.40%
State govt.	14.34%	19.30%
Private sector	71.44%	64.30%
Private (Indian)	62.50%	54.66%
Private (Foreign)	8.95%	9.64%
Total investments	13,80,540 crore	21,14,773 crore



Private Sector Capex Breakdown

■ Listed Private CAPEX ■ Unlisted Private CAPEX



Source: [The Hindu](https://www.thehindu.com)

- ❑ The company has entered into an agreement in the preceding year with Shirdi Sai Electricals Limited (SSEL), thereby **SSEL has assured the company that they would make good the loss to the benefit of the company** in case certain identified customers do not pay or default the payment of outstanding dues. Accordingly, SSEL has paid a sum of ₹ 4.58 crores during the FY2021-22 to the company.
- ❑ The Company has **entered into a Transitional Trademark License Agreement for using the brand name “PROLEC” and shall pay 2.5% of the turnover as royalty for the brand usage** to Prolec GE Internacional.
- ❑ During the year ended FY2021-22 , **Related party transaction** with Holding company **Shirdi Sai Electricals Limited (SSEL) relating to sale of goods at arms length price stood at ₹ 11.19 crores and Royalty paid / accrued to another promoter Prolec GE Internacional, S de R.L de C.V., Mexico is ₹ 6.40 crores.**
- ❑ **As per ICRA report, The company plans to incur a capex of ₹ 28.00 crore over FY2023 and ~₹ 12 crore p.a. in FY2024-FY2025, which will be predominantly funded through a term debt and the balance through internal accruals.**
- ❑ **Company has 2 windmills** in Tirunelveli, Tamil Nadu. The Company is adjusting the units generated against consumption at factory. This has reduced per unit energy cost to the Company. Company has in place adequate safeguards against excessive consumption and wastage of energy, in form of energy-friendly apparatus, moder technologies as well as minimal usage mechanism.
- ❑ **In FY2021-22 company has successfully conducted short circuit test on 25 MVA Transformer which was part of Metro Rail project at Central Government’s CPRI laboratory at Bengaluru.** This demonstrate company’s capability to produce robust and performing product using best of technology available.
- ❑ **Company has secured Working Capital facilities and Term loans from its bankers - State Bank of India and Bank of Baroda**
 - ✓ **For Working Capital facilities company Hypothecation** of entire stocks, receivables and entire current assets (both present and future).
 - ✓ **For Term Loan it Hypothecation of Machinery/Equipments** to be purchased out of the term loan for setting up of second transformer testing facility.
 - ✓ **Collateral Security includes**
 - Equitable mortgage of factory land and building at Illuppapattu village in Kanchipuram **administering 30.04 acres**
 - Equitable mortgage of factory land and building at Thirumazhisai administering 2,65,062 sq ft
 - Equitable mortgage of commercial plot at Pazhavor village in Thirunelveli administering 3 acres
 - Hypothecation of Windmill at Thirunelveli and Lien on Fixed deposits ₹ 67 lakhs
 - **Pledge of 58.8% of Equity shares of the Company held by the Holding Company to increase the working capital limit of the company.**

Source: Company Disclosures

Financial & Business Analysis

Amount in Crores	FY17	FY18	FY19	FY20	FY21	FY22	YoY Growth	9MFY23	FY23E	FY24E	FY25E	FY26E
Sales	148.81	220.17	213.39	205.33	206.00	280.07	36%	226.24	380.90	495.16	643.71	836.83
Expenses	151.74	221.37	215.47	203.43	194.72	257.96	32%	217.39	362.61	464.96	603.48	777.41
Operating Profit	-2.93	-1.20	-2.08	1.90	11.28	22.11	96%	8.85	18.28	30.20	40.23	59.41
Operating Profit Margin %	0.00%	0.00%	0.00%	0.93%	5.48%	7.89%	242 bps	3.91%	4.80%	6.10%	6.25%	7.10%
Net profit	-11.27	-3.69	-8.39	1.92	6.29	12.19	94%	6.40	11.24	19.63	24.14	35.65
Net Profit Margin %	0.00%	0.00%	0.00%	0.94%	3.05%	4.35%	130 bps	2.83%	2.95%	3.97%	3.75%	4.26%
EPS	-10.63	-3.48	-7.92	1.81	5.93	11.50	94%	6.03	10.58	18.49	22.73	33.57

- During the year under review, Company achieved Revenue from operations for 9MFY23 ₹ 226.24 crores.
- In FY 21-22 revenue from operation stood at ₹ 280.07 crores which is increases by 36% as compared to ₹ 206 crores in FY 2020-21.
- Operating Profit for 9MFY23 is ₹ 8.85 crores whereas Operating Profit for FY 2021-22 is ₹ 22.11 crores, as compared to ₹ 11.28 crores in FY 2020-21.
- Increase in Operating Profit mainly due to increase in order book and effective sourcing of material which shows efficiency of management to manage various resources effectively. The operating margin improved to 7.89% in FY2022 from 5.48% in FY2021.
- Net Profit for 9MFY23 is ₹ 6.40 crores whereas Net Profit for FY 2021-22 is ₹ 12.19 crores as compared to ₹ 6.29 crores in FY 2020-21.
- EPS for FY 2021-22 is ₹ 11.50 rupee as compared to ₹ 5.93 rupee in FY 2020-21.
- During 9MFY23 operating margin and net profit margin compressed mainly due to volatility in raw material prices as 30-40% of the order mix does not have a price variation clause.

Financial Statement Analysis

Balance Sheet	FY17	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	10.62	10.62	10.62	10.62	10.62	10.62
Reserves	127.57	123.48	114.55	115.91	122.61	134.50
Borrowings	-	-	-	-	-	0.56
Other Liabilities	64.05	75.23	69.41	76.74	54.70	94.02
Total	202.24	209.33	194.58	203.27	187.93	239.70
Net Block	54.31	50.42	51.65	47.97	43.74	41.39
Capital Work in Progress	0.36	0.21	-	-	-	1.14
Investments	-	-	-	-	-	-
Other Assets	147.57	158.70	142.93	155.30	144.19	197.17
Total	202.24	209.33	194.58	203.27	187.93	239.70

Cash Flow	FY17	FY18	FY19	FY20	FY21	FY22
Cash from Operating Activity	-12.00	4.00	17.00	-14.00	8.00	22.00
Cash from Investing Activity	-1.00	-1.00	-1.00	-2.00	-3.00	-9.00
Fixed assets purchased	-2.33	-1.10	-1.03	-1.13	-0.60	-3.33
Fixed assets sold	0.10	0.09	0.24	-	-	-
Investments sold	-	-	-	-	-	-
Interest received	0.86	0.82	0.55	1.09	2.04	1.00
Other investing items	0.23	-0.61	-0.59	-1.76	-4.03	-6.40
Cash from Financing Activity	-1.00	-	-	-	-	-
Proceeds from borrowings	6.50	-	-	-	-	0.56
Repayment of borrowings	-6.50	-	-	-	-	-
Interest paid fin	-1.17	-0.47	-0.38	-0.07	-0.15	-0.67
Financial liabilities	-	-	-	-	-	-
Other financing items	-	-	-	-	-	-
Net Cash Flow	-14.00	2.00	16.00	-16.00	5.00	13.00

- Capital reserve represents the subvention (voluntary, non-repayable financial grant) of ₹ 149.13 crores (US\$ 25 million) received from the Prolec GE Internacional, S de R.L de C.V., Mexico, the erstwhile holding company.

- Debt protection metrics is comfortable with an interest coverage ratio of more than 3 times and TD/OPBDITA of less than 1 time.

- During FY22 company incurred 3.33 crores in Capex. Moreover, The Company had been sanctioned a term loan of ₹ 8 crores towards building second transformer testing facility and the Company as at the Balance sheet date had drawn only ₹ 55.89 Lakhs and had utilised towards the said purpose only.

- During H1FY23, Company increased short term working capital to ₹ 9.79 crores from ₹ 0.45 crores.

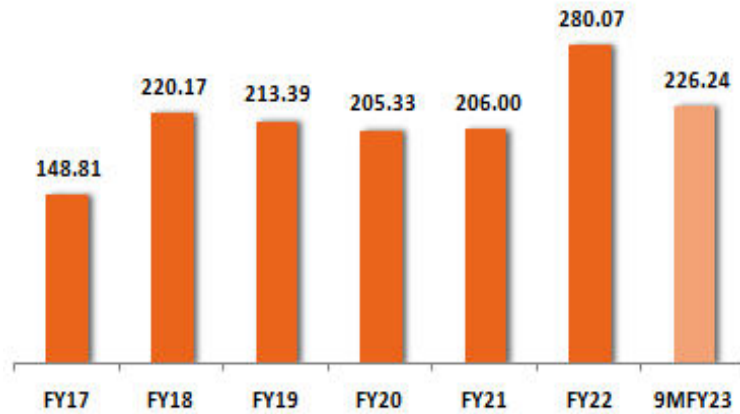
Quarterly Income Statement Analysis

Amount in Crores	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Sales	38.94	53.83	96.81	22.65	76.32	81.81	99.29	54.08	88.54	83.62
Expenses	41.13	51.87	84.03	27.53	70.03	73.97	91.65	52.16	86.70	78.53
Operating Profit	-2.19	1.96	12.78	-4.88	6.29	7.84	7.64	1.92	1.84	5.09
Operating Profit Margin %	-5.62%	3.64%	13.20%	-21.55%	8.24%	9.58%	7.69%	3.55%	2.08%	6.09%
Other Income	0.23	0.20	2.17	0.59	0.22	0.24	0.64	0.74	0.82	0.37
Net Profit	-3.26	0.96	13.66	-5.47	5.10	6.50	6.06	1.23	1.33	3.84
Net Profit Margin %	0.00%	1.78%	14.11%	-24.15%	6.68%	7.95%	6.10%	2.27%	1.50%	4.59%
EPS	-3.07	0.9	12.86	-5.15	4.8	6.12	5.71	1.16	1.25	3.62

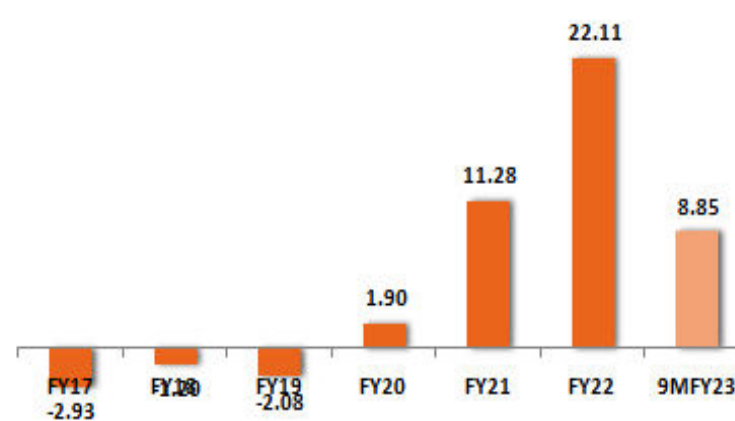
- In Q3FY23 Company recorded sales of ₹ 83.62 crores with Operating profit and PAT of ₹ 5.09 crores and ₹ 3.84 crores respectively.
- For full year ended 31st March 2022 Company recorded sales of ₹ 280.07 crores with Operating Profit and PAT of ₹ 22.11 crores and ₹ 12.19 crores respectively.
- In Q3FY23 Company recorded Profit before tax of ₹ 3.84 crores and Net profit of ₹ 3.84 crores.
- For full year ended 31st March 2022 Company has recorded EPS of ₹ 11.50.
- For Q3FY23 Company recorded EPS of ₹ 3.62.
- As of November 2022 end - The current order book is ₹ 419.1 crores.
- We believe that the company's ongoing testing capacity expansion and SSEL's established position and its significant scale of operations in the transformer industry is expected to provide operational synergies to ITL and lend economies of scale. With this we believe that the company's revenues are expected to grow at a healthy rate in the near to medium term with CAGR of more than 30%.

Performance in Charts – Indo Tech

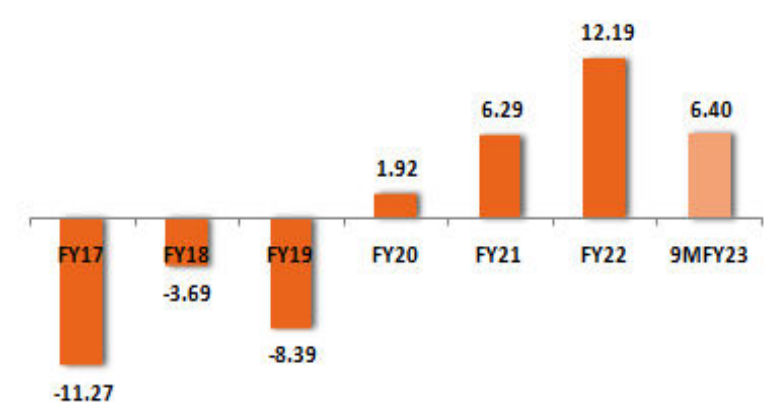
Sales



Operating Profit



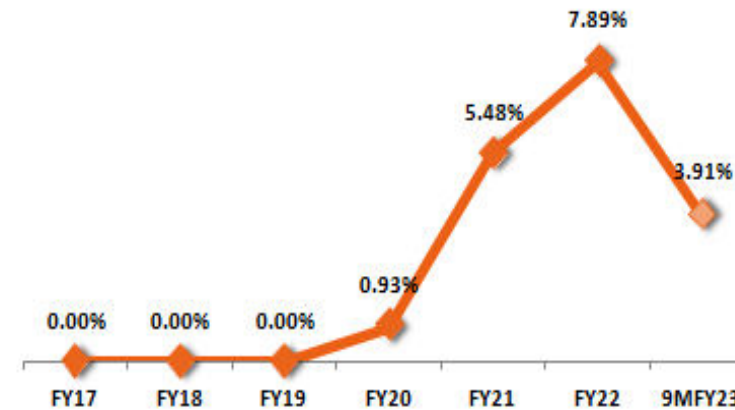
Net Profit



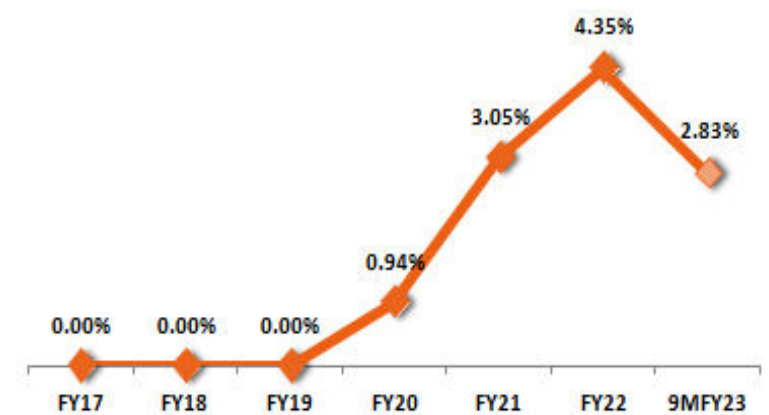
EPS (Rs.)



Operating Profit Margin %



Net Profit Margin %



Peer Comparison

3C Capitals

Amount in Crores

Ratios	Indo Tech Transformers Ltd	Star Delta Transformers Ltd
Market Cap (Rs.)	192 Crores	43 crores
Promoter holding (%)	75.0	75.0
Pledged percentage	58.8	18.0
PE Ratio (in times)	15.4	9.71
Market Cap to Sales	0.59	1.03
PEG Ratio	0.61	3.82
RoE (%)	8.76	6.63
RoCE (%)	13.8	9.77
Sales growth 5Years (%)	13.5	-12.4
Profit growth 5Years (%)	25.2	2.54
Debt to Equity	0.07	0.02
Interest Coverage	6.40	16.4
Current Ratio	2.00	12.4
Inventory T/O Ratio	4.47	3.35



Mr. Shridhar Gokhale, CEO & Whole-Time Director (WTD)

- **Mr. Shridhar Gokhale, CEO & Whole-Time Director** of the Company, is a post graduate in Electrical Engineering from Madhav Institute of Technology & Science (MITS) **and has also underwent Senior Management Program from IIM Calcutta.** He has **over three decades of experience** in Transformers Industry predominantly in areas of Production, Planning and Control, Maintenance, Projects, Marketing and Quality Management System (QMS).
- He is working with Indo Tech for the past 8 years before which he was employed as Chief Operating Office of CG Power Systems Indonesia.

Mr. SaiKrishnan C.P, Chief Financial Officer (CFO)

- **Mr. Saikrishnan C P, Chief Financial Officer, is a qualified Cost and Management Accountant,** has overall experience of 24 years in various industry backgrounds. He possesses multifarious experience and expertise in the field of Finance, Accounting and Taxation etc.,
- He is working with Indo Tech for the past about 3 years as Chief Financial Officer before which he was employed as Manager in Olam Information Services Pvt Ltd.

Mr. Manikandan M, Company Secretary (CS)

- **Mr. Manikandan M, Company Secretary, is a qualified Company Secretary and Associate Member of Institute of Company Secretaries of India.** He also holds a bachelor's degree in Commerce. He has around 3 years of expertise in the field of Secretarial / Corporate Services, Legal Affairs, Finance, etc.,
- He is working with Indo Tech for the past 3 years before which he was employed in Ford.

Source: Company Disclosures



Mr. N Visweswara Reddy, Chairman

- **Mr. N Visweswara Reddy, Chairman of the Company**, has over three decades of experience in the Transformer industry. **He took the reins of entrepreneurship as a Managing Partner of Ms Shirdi Sai Electricals in 1994.** He was one of the early entrepreneur who ventured into EPC business to undertake rural electrification works, substation works and other transmission and distribution related projects in the country. Mr. Visweswara Reddy has received National Energy Conservation Award from Ministry of Power in 2014 for his contribution to produce more number of energy efficient transformers in the country.
- He is **currently the Managing Director of M/s Shirdi Sai Electrical Limited** (Holding Company of Indo Tech Transformers Limited)

Mr. Ajay Kumar Dhagat, Independent Director

- **Mr. Ajay Kumar Dhagat, Independent Director of the company**, is an Electrical Engineer from University of Jabalpur and also a **recipient of Talent Search Scholarship holder of Atomic Energy Commission.** He has more than four decades of vast industrial experience in the transformers industry. He is an industry veteran who has held several **key positions in Companies such as GEC of India, Areva T&D India Ltd, Alstom SA., Tebma Shipyards Ltd, Revathi Equipment Ltd, Alstom T&D (Asia Pacific Region) etc., during his tenure.**
- He has been instrumental in building scalable systems and processes. He has contributed significantly to business strategy restructuring, re-branding and the growth plans of the Company during his earlier tenure as Whole Time Director of the company.

Mr. Sudheer Vennam currently Head International Business Development with **SSEL and Ms. Leena M Sathyanarayanan** – Both were recently appointed as an Additional Director (Non-Executive).

Source: Company Disclosures

Future Outlook

- **Indo Tech Transformers Ltd (ITL) is traded at low PE Multiple with good ROE, ROCE and EPS.** We picked up ITL by analysing its past performance and long history of its holding company Shirdi Sai Electricals Limited (SSEL) and looking forward for re-rating in the valuation of ITL.
- **ITL's sales for 9MFY23 is 226.24 crores and Operating Profit is increased to ₹ 8.85 crore** in comparison of **FY2021-22 which is ₹ 280 crores** . **EPS is decreased from ₹ 11.50 to ₹ 6.03 in 9MFY23** in comparison to **FY21-22**. **PAT Margin decreased to 2.83% from 4.35%** amounting to in **9MFY23 ₹ 6.40 crores from ₹ 12.19 crores in FY2021-22**. It's **Compounded Sales growth and operating profit growth of 5 years is 13% and 25% respectively** which is expected to increase in near future. **Margin was impacted mainly due to recent high volatility in raw-material prices.**

Final Conclusion: Indo Tech Transformers Ltd (ITL) is a **high-quality cash generating business** as it is **operated by experienced management with the state of art manufacturing facility equipped with the latest equipments and technology and highly skilled workforce**. ITL's continuous focus on expanding its **order book** and SSEL's established position and its significant scale of operations in the transformer industry, which is expected to provide operational synergies to ITL and lend economies of scale and will help them to perform better in near future. With this **we believe that company will achieve its milestone sales of ₹ 1000 crores in next 5 year periods**. This has resulted in strong Free cash flow generation and superior return ratios.

Growing population along with increasing electrification and per capita usage will further provide impetus to the rising demand for electricity. Many power sector reforms are being introduced by the Government to bring efficiency, promote decarbonization and ensure (24X7) reliable and affordable power supply. ITL has a competitive advantage in terms of manufacturing costs, market knowledge, technology, and innovation in various engineering sub-sectors which in turn will further leads to growth in scale of operations of the company.



SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, **the analyst have no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
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9. The analyst does not own more than 1% equity in the said company.