Eldyne ElectrO-Systems Private Limited

October 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	58.68	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	41.32	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Eldyne ElectrO-Systems Private Limited (EESPL) are constrained by modest scale of operations, working capital intensive nature of business, tender-based nature of operations in railway signalling industry and moderate financial risk profile marked by leveraged capital structure and moderate debt protection metrices. However, the ratings derive strength from experienced promoters and long track record of operations, exclusive tie-up with technology partner, comfortable order book position providing revenue visibility over medium term.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increasing total operating income (TOI) over ₹200 crore on a sustained basis along with maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 8%.
- Steady flow of orders and timely execution of the order book
- Improving operating cycle below 70 days on sustained basis

Negative Factors

- Declining total operating income (TOI) below ₹120 crore on a sustained basis along with moderating PBILDT margin below 5% on a sustained basis
- Deteriorating overall gearing (>1.50x) on a sustained basis.
- Elongating operating cycle beyond 120 days on a sustained basis

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the company's ability to sustain and improve its revenue and liquidity position going ahead while maintaining its capital structure.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations

The company reported TOI of ₹166.07 crore in FY24 as against TOI of ₹144.10 crore in FY22. Though the scale of operations has been improving at compounded annual growth rate of ~7.35% during the period between FY22-FY24, it remained moderate. The company reported PBILDT and PAT of ₹13.90 crore and ₹5.75 crore respectively in FY24 as against ₹9.35 crore and ₹2.94 crore respectively in FY23.

The profitability margins marked by PBILDT margin and PAT margin witnessed improvement and stood at 8.37% and 3.46% respectively in FY24 as against 7.08% and 2.23% in FY23 respectively. The improvement in PBILDT margin is on account of better absorption of fixed overheads with increase in scale of operations.

The scale of operations are expected to improve gradually with the improvement in order book position at similar levels of margins in the near to medium term.

Tender-based nature of operations in railway signalling industry

EESPL receives most of its work orders from Indian railways. All these are tender-based and the revenues are dependent on the EESPL's ability to bid successfully for these tenders. The profitability margins of the company may come under pressure because of the competitive nature of the industry. There are numerous organized and unorganized players operating in the segment due to which there is intense competition. However, the promoters' long industry experience in railway construction industry mitigates this risk to some extent.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Working capital intensive nature of operations
The operations of the company are working capital intensive due to tender based and medium-term nature of contracts with milestone based payments. EESPL needs to furnish earnest money deposits (EMD) during the bidding process and a part of the sales proceeds are also withheld in the form of retention money.
The collection period is high on account of money held as retention. Average collection period remained high and stood at 99 days as on Mar 31, 2024 which improved from 167 days as on March 31, 2022 and 161 days as on March 31, 2023 due to better realization from the Indian Railways. Even with an overall longer repayment cycle, counterparty risk is very low and payments are being received in a timely manner. The gross current asset days which also included advance to suppliers as well as security deposits, thus also improved from 331 days in FY23 to 239 days in FY24.

Moderate financial risk profile
Further, As on March 31, 2024, the capital structure of the company stood moderate marked by overall gearing of 1x owing to lower utilisation of working capital limits and gradual repayment of term loan. TOL/TNW improved from 2.41x as on Mar 31, 2022 to 1.86x as on Mar 31, 2024. The debt protection metrices also stood moderate with interest coverage and TD/GCA standing at 2.77x and 6.34x in FY24 (P.Y 2.22x and 14.41x respectively). The financial risk profile is expected to remain stable in near to medium term.

Key strengths
Experienced promoters and long track record of operations
The promoters have experience of more than three decades and have been associated with the Indian Railways for past more than 35 years. The company has long standing association with Research Designs and Standards Organisation (RDSO) and are approved vendor for Digital Axle Counters and Signaling relays (for metal to carbon type). The day-to-day operations of the company are managed by Mr. Santanu Basu (Director) who is supported by a team of professionals who look into the various support functions of the company.

Exclusive tie-up with technology partner
The company has exclusive tie-ups with two key suppliers: M/s Thales (Thales) for digital axel counter and Kyosan Electric Manufacturing Co. Ltd. (Kyosan) for providing interlocking systems, railway signal systems, Road Traffic Control Systems, etc. Thales Group is a French multinational company that designs, develops and manufactures electrical systems as well as devices and equipment for the aerospace, defense, transportation and security sectors. EESPL is the Key Industrial Partner for Thales in India.
Further, Kyosan Electric Manufacturing Co Ltd is a Japanese company primarily engaged in the manufacture and sale of signal systems and electrical equipment. Kyosan Electric Manufacturing Co Ltd (Japan) also has equity participation in EESPL holding 10% of equity shares.

Comfortable order book position
The company has an outstanding order book position of Rs 316.52 crore (as on Oct 20, 2024) which is 1.91x of net billing in FY24. The order book consists of orders from Indian Railways and Metros.

Liquidity: Adequate
Adequate liquidity is characterised by comfortable cushion in accruals (₹6.36 crore) against scheduled repayment obligations in FY24, above unity current ratio of 1.31x as on March 31, 2024 and moderate utilisation of working capital limits in the last 12 months ending September 2024 standing at around 90% (as articulated by the lenders). On the back of steady GCA, CARE Ratings expects that the company’s liquidity will remain adequate in FY25 as against debt repayment obligations.

Environment, social, and governance (ESG) risks- Not Applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Short Term Instruments

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Eldyne ElectrO-Systems Private Limited (EESPL) was incorporated on May 20, 1987 by Kolkata based Mr. Santanu Basu as a project engineering and project management company. The company is associated with the Indian Railways for past more than 35 years. The company has long standing association with Research Designs and Standards Organisation (RDSO) and are approved vendor for Digital Axle Counters and Signaling relays (for metal to carbon type).
The company started its journey with manufacturing of safety signaling relays in 1987 for Indian Railways, which was earlier being imported. Further in 1998, EESPL with cooperation with Alcatel, introduced Digital Axle Counter to The Indian Railways for the first time. In 2004, EESPL was the first company to receive approval for single and multi-section axle counters by RDSO. Furthermore in 2012, EESPL has partnered with all major players in India including Ansaldo, L&T, Texmaco rail & engineering, Kalpataru, MRT Signals, Bharat Rail etc among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	132.07	166.07	60.00
PBILDT	9.35	13.90	NA
PAT	2.94	5.75	NA
Overall gearing (times)	1.39	1.00	NA
Interest coverage (times)	2.22	2.80	NA

A: Audited, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	49.80	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	28-02-2029	8.88	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	41.32	CARE BB+; Stable / CARE A4+

Annexure-2: Rating History for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	41.32	CARE BB+; Stable / CARE A4+				
2	Fund-based - LT-Cash Credit	LT	49.80	CARE BB+; Stable				
3	Fund-based - LT-Term Loan	LT	8.88	CARE BB+; Stable				

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

Annexure-3: Detailed explanation of covenants of rated instrument/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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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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About us:
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