Electro Pneumatics and Hydraulics (India) Private Limited

March 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	41.26 (Enhanced from 19.98)	CARE A-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	40.00 (Enhanced from 33.00)	CARE A-; Stable / CARE A2+	Reaffirmed
Short Term Bank Facilities	50.00 (Reduced from 66.00)	CARE A2+	Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Electro Pneumatics and Hydraulics (India) Private Limited (EHIPL) continues to derive strength from the promoters' long-standing experience and expertise in providing customised metal forming products, healthy financial profile and adequate liquidity. The ratings also factor in satisfactory order-book position along with diversified product portfolio and customer base.

The rating strengths are partially offset by its moderate scale of operations, moderate and volatile profitability coupled with large working capital requirements and risk associated with ongoing debt funded capex.

Further, Care Ratings has withdrawn one of the short-term facilities upon the request of EHIPL and latest sanction letter received.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in the scale of operations coupled with operating margins (PBILDT Margin) of around 14% to 15% on sustained basis while maintaining comfortable capital structure.

Negative factors

- Any un-envisaged debt programme leading to deterioration in the capital structure, particularly with overall gearing of the company over 0.80x on a sustained basis.
- PBILDT margin falling to below 9% on a sustained basis.
- Sustained elongation of the working capital cycle of the company beyond 160 days.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects Care Ratings' (CARE) expectation that EHIPL will maintain its business and financial risk profile supported by diversified product profile and lower reliance on external borrowings.

Detailed description of key rating drivers:

Key strengths

Promoters' long-standing experience and expertise in providing customised metal forming products

EHIPL is jointly spearheaded by Ashley Rasquinha (Joint Managing Director, JMD) [B.E, M.S (Mech. Computer Engg.) U.S.A]., and Ingrid Rasquinha (JMD) [B.E, M.S (Mech. Engg.) U.S.A]. EHIPL is ably supported by Director Operations and Marketing - Prashant Gadepalli [B.E, M.S (Mech Engg) U.S.A], who are professionally qualified and has long experience of working with multinational companies across the globe. Majority of second tier management, associated with EHIPL for more than a decade, are qualified and experienced professionals in their respective fields. EHIPL has accreditation of introducing many products for the first time in the country and continues to be one of the major beneficiaries of 'Make in India' and 'Atmanirbhar Bharat' campaign especially for special purpose machinery for defence and strategic projects. In March 2025, EHIPL entered into a joint venture agreement with Belgium based John Cockerill Defense (JCD), to form 'John Cockerill Electropneumatics Defense India Private Limited (JCEDPL)'. The primary objective of this collaboration is to manufacture, assemble high value defense products for the Indian Army.

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

Diversified product portfolio having wide application across industries and diversified customer base
The EHIPL's revenue segments are divided among machine manufacturing (MMD), component manufacturing (CMD), fluid power (FPD) and strategic project (SPD) divisions along with spares and services income. The company is supported by its in-house research and development (R&D) team, which has developed various products that are the first to be manufactured in India. Its foray into defence sector through its strategic project division, which also provides better margins to the company is strongly supported by its R&D team. On the back of technical capabilities of the management, the company is able to bag orders for manufacturing Advanced Towed Artillery Gun System (ATAGS) in collaboration with Bharat Forge Limited (rated 'CARE AA+; Stable/CARE A1+'). Apart from the defence and automotive sectors, its products find application across varied industries, such as white goods, electronics, and process plant, chemical plant, cutting tools, railways, shipbuilding, power transmission and other industries. The clientele base of the company includes well-established and large-sized companies, including both private sector companies and government undertakings, such as Defence Research and Development Organisation (DRDO), Indian Navy, Goa Shipyard Limited, etc.

Satisfactory orderbook providing near term revenue visibility
EHIPL's orderbook position remained satisfactory with receipt of various orders in MMD and SPD divisions, which caters towards defence contracts. Furthermore, the company has also been beneficiary of Ministry of Defence's scheme to promote MSMEs in the defence supply chain. As on November 30, 2024, the company has outstanding orderbook position of ₹303.30 crore which increased from ₹171.41 crore as on December 31, 2023. Furthermore, the company also has schedules for CMD division from the automobile manufacturing sector. The order book position provides near term revenue visibility for the company.

Healthy financial risk profile
Adjusted overall gearing (adjusted for advances from customers) though moderated remained comfortable at 0.51x as on March 31, 2024 (0.31x as on March 31, 2023). The company incurred debt-funded capital expenditure (capex) in FY24 (refers to April 01 to March 31) towards addition of capacity. Nevertheless, CARE Ratings expects the overall gearing ratio to remain below unity on the back of steady accretion to reserves. The debt protection metrics remained healthy as indicated by interest coverage ratio of 7.46x in FY24 (12.18x in FY23) and is expected to remain comfortable over the medium term.

Key weaknesses

Moderate scale of operations
Total operating income (TOI) increased but remained moderate at ₹248.54 crore in FY24 as against ₹231.31 in FY23. The company booked revenue of around ₹165.40 crore in 9MFY25 (refers to April 01 to December 31). The pending/ delayed execution of a few orders from FY24 is expected to be completed in FY25.

Moderate and volatile profitability
EHIPL's operating profitability is heavily dependent upon the revenue mix of different segments. The PBILDT margin declined but remained moderate at 9.86% in FY24 (12.05% in FY23). During 9MFY25, the PBILDT margin was seen at around 11.96% and is likely to improve in Q4FY25 as order execution is generally skewed towards the last quarter. Considering the future need, the Company has invested in capex, Human Resources, IT infrastructure. Nevertheless, the PBILDT margin for FY25 is estimated to remain to remain moderate. Improvement in profitability will remain a key monitorable, going forward.

Elongated working capital cycle
EHIPL's operations are characterised by high working capital requirements majorly on account of high work in progress inventory period and moderately high average collection period. The operating cycle over past 3 years averaged 4-6 months. CARE Ratings expects the operations to remain working capital intensive over the medium term.

Ongoing debt funded capex
EHIPL is undertaking a debt-funded capital expenditure to enhance its CMD division by acquiring new machinery. The total estimated project cost of Rs.30 crore will be largely funded by debt. The project is slated for completion by the first half of FY26. Ability to complete the capex without any cost and time outrun will remain key monitorable, going forward.

Liquidity: Adequate
EHIPL has adequate liquidity supported by heathy cushion between gross cash accrual (GCA) and term loan obligations, and moderate cash credit utilisation. EHIPL is estimated to generate GCA of ₹19-20 crore in FY25 against obligations of around ₹4 crore. The GCA is expected to be in the range of ₹22-25 crore over the medium term against repayment obligation of ₹7-8 crore. The company manages its working capital requirements through credit from suppliers, mobilisation advances and internal accruals efficiently and accordingly relies moderately on cash credit (the average utilization for past 12 months ending November 30, 2024 remained at 70%, however, the maximum utilization was around 90%-95% in few months). The current ratio and overall gearing ratio were 1.51x and 0.51x, respectively, as on March 31, 2024, which provide the company headroom to contract additional debt if required.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Financial Ratios – Nonfinancial Sector]
[Withdrawal Policy]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

EHIPL was established in 1972 as a partnership firm and was converted into a private limited company in 1983. EHIPL designs and manufactures standard and customized metal forming equipment and provides services to produce formed parts. The products manufactured by EHIPL are tailor-made, and due to their typical nature, the company mainly concentrates on conceptualisation and detailed designing of the products. The company has got recognition for its in-house Research & Development unit from Ministry of Science and Technology (Government of India).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	231.31	248.54	165.40
PBILDT	27.86	24.50	19.79
PAT	14.75	9.68	7.99
Overall gearing (times)	0.31	0.51	0.30
Interest coverage (times)	12.18	7.46	5.91

A: Audited UA: Unaudited; 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-Term Loan		-	-	31/03/2029	41.26	CARE A-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	40.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	49.00	CARE A2+
Non-fund-based - ST-Letter of credit		-	-	-	1.00	CARE A2+

Annexure-2: Rating history for 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	Fund-based - LT/ ST-Working Capital Limits	LT/ST	40.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (08-Mar-24)	1)CARE A-; Stable / CARE A2+ (29-Mar-23) 2)CARE A-; Positive / CARE A2+ (19-Apr-22) 3)CARE A-; Positive / CARE A2+ (01-Apr-22)	1)CARE A-; Negative / CARE A2 (06-Apr-21)
2	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A2+	-	1)CARE A2+ (08-Mar-24)	1)CARE A2+ (29-Mar-23) 2)CARE A2+ (19-Apr-22) 3)CARE A2+ (01-Apr-22)	1)CARE A2 (06-Apr-21)
3	Non-fund-based - ST-Bank Guarantee	ST	49.00	CARE A2+	-	1)CARE A2+ (08-Mar-24)	1)CARE A2+ (29-Mar-23) 2)CARE A2+ (19-Apr-22) 3)CARE A2+ (01-Apr-22)	1)CARE A2 (06-Apr-21)
4	Fund-based - LT-Term Loan	LT	41.26	CARE A-; Stable	-	1)CARE A-; Stable	1)CARE A-; Stable	-

						(08-Mar-24)	(29-Mar-23) 2)CARE A-; Positive (19-Apr-22)	
5	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A2+ (08-Mar-24)	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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