

## Emson Tools Manufacturing Corporation Limited

November 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	24.22	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has been seeking information from Emson Tools Manufacturing Corporation Limited (ETMCL) to monitor the rating vide e-mail communications dated October 13, 2025, October 06, 2025, September 12, 2025, July 25, 2025, July 11, 2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CareEdge Ratings has reviewed the rating on the basis of the best available information which however, in CareEdge Ratings' opinion is not sufficient to arrive at a fair rating. Further, ETMCL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on ETMCL's bank facilities will now be denoted as '**CARE B+; Stable; Issuer Not Cooperating / CARE A4; Issuer Not Cooperating.**'

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of Emson Tools Manufacturing Corporation Limited (ETMCL) have been revised due to -non-availability of requisite information. Further, the ratings are constrained by its modest scale of operations, low profitability margins, weak debt coverage indicators and elongated operating cycle. Further, the ratings continue to remain constrained by risk associated with foreign exchange fluctuation risk, susceptibility of margins to volatility in raw material prices and its presence in a highly competitive automotive industry.

The ratings, however, continue to draw comfort from experienced promoters coupled with long track record of operations, long standing relationship with diversified customer profile and moderate capital structure of the company.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers

At the time of last rating on September 16, 2024 the following were the rating strengths and weaknesses.

#### Key weaknesses

##### Modest scale of operations:

ETMCL's scale of operations continues to remain modest with total operating income (TOI) of Rs.94.04 crore and gross cash accruals (GCA) of Rs.2.01 crore respectively, during FY24 (PY: Rs.100.34 crore and Rs.1.19 crore respectively). The decline in TOI is due to lower volume sales particularly from the exports market as the European markets witnessed subdued demand from automobile segment. The modest scale limits the company's financial flexibility in times of stress and deprives it of the benefits arising out of economies of scale. Further, the company has achieved total operating income of ~Rs.35.00 crore during 5MFY25 (refers to the period from April 1, 2024 to August 31, 2024; based on provisional results) and was expected to achieve a turnover of more than ~Rs.100.00 crore for FY25 on account of improvement in demand wherein industry is poised to sustain its sales momentum and company had an order book of ~Rs.30.00 crore which was envisaged to be completed by October, 2024.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Low profitability margins and weak debt coverage indicators:**

The profitability margins of the company stood low and remained range bound between 4%-6% for the last three financial years (FY22-FY24) on account of its presence in a highly competitive nature of industry leading to limited bargaining power with its customers. PBILDT margin of the company has improved and stood at 5.15% in FY24 as against 4.24% in FY23 on the back of proportionate decline in overheads. Further, PAT margin also improved and stood at 0.67% in FY24 as against 0.28% in FY23. Further, the debt coverage indicators of the company continue to remain weak as marked by interest coverage ratio and total debt of GCA which stood at 1.68x and 15.80x respectively, in FY24 (P.Y.: 1.64x and 23.98x respectively). The improvement is on account of high PBILDT leading to higher gross cash accruals.

**Elongated operating cycle**

The operations of the company continue to remain elongated as marked by operating cycle of 148 days for FY24 (P.Y.: 126 days). Owing to large product portfolio, the company is required to maintain adequate inventory in the form of raw material to ensure smooth production process as well as maintain stock of finished products in order to meet the immediate demand of the customers which resulted in an average inventory holding period of around 116 days for FY24. Further, owing to its presence in highly competitive industry, the firm has to offer liberal credit period of around a 2-3 months to its customers wherein; there is generally delay in the realizations from the railways segment; since the year end payments are made in the next financial year once the budget is allocated to the department. Further, the company receives payable period of around 2-3 month from its suppliers.

**Foreign exchange fluctuation risk**

The profitability margins of ETMCL are exposed to foreign exchange fluctuation risk, as the company derives its revenue from export markets also which stood ~17% in FY24 (PY: 19%). However, the raw material is mainly procured from domestic markets. With initial cash outlay for procurement in domestic currency and significant chunk of sales realization in foreign currency, ETMCL is exposed to the fluctuation in exchange rates which the company does not hedge. Thus, ETMCL's operating margins and cash accruals remains vulnerable to the adverse fluctuation in exchange rates. Further, the company has recorded gain of Rs.0.39 crore in FY24 as against Rs.0.19 crore in FY23 due to favorable foreign currency fluctuations.

**Susceptibility of margins to volatility in raw material prices:**

ETMCL operates in an industry wherein the raw material cost is one of the major cost drivers and hence, any sharp volatility in raw material prices may negatively impact the company's profitability. The major raw materials for the company are alloy steel and non-alloy steel, etc., the prices of which remain volatile. The company does not enter into any long-term agreement for procurement of these raw materials and sources its raw material on requirement basis from the domestic market at prevailing market prices thereby, exposing it to any sharp volatility in prices, which may also have a direct bearing on operating margins of the company. Though, the company tries to pass on the price volatility to the end users through price revision mechanism from its customers, any sudden adverse fluctuations in raw material prices may not be passed on to customers completely owing to company's presence in highly competitive industry and may adversely affect the profitability of the company. Furthermore, the domestic steel prices are currently hovering around a marginal discount to international prices, as domestic steelmakers believe any further increase in the prices may weigh down their domestic sales volumes.

**Presence in a highly competitive automotive industry:**

ETMCL operates in a highly competitive industry wherein there is presence of a large number of players in the organized as well as unorganized sectors. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. Furthermore, the auto component industry is largely unorganized in structure, consisting of around 45-50% of the overall industry size. While the organized segment primarily caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

**Key strengths****Experienced promoters coupled with long track record of operations:**

ETMCL is a family run business. The company is currently managed by Mr. Abhinav Dhall, Mrs. Devender Dhall and Ms. Priya Dhall. Mr. Abhinav Dhall is M.B.A. by qualification and holds experience of around two decades in the metal forged components manufacturing business and looks after the overall operations of the company. Mrs. Devender Dhall and Ms. Priya Dhall are graduates by qualification and holds experience of more than two decades in the metal forged components manufacturing business and looks after the general administration. This long-standing experience and expertise in the industry has enabled them to establish good relationship with its customers over the years which has enabled it to garner repeat orders.

### Long-standing relationship with diversified customer profile:

ETMCL has been operational for more than two decades in metal forged components manufacturing business and has been able to establish healthy relationship with its customers. In light of the established relationship, the company managed to get repeat orders from its customers. The top nine customer concentration risk stood moderate ~45%, with no individual customer contributing more than 20% of total sales in FY24. Aided by its diversified customer base, the company does not have reliance on any single customer pertaining to its revenue source, which in turn stabilize their financial position, and thereby reduces the risk of financial vulnerability arises due to concentration in from any particular customer in near future.

### Moderate capital structure:

The capital structure of the company stood moderate as marked by overall gearing ratio which stood at 1.65x as on March 31, 2024 showing deterioration from 1.53x as on March 31, 2023 mainly on account of higher utilization of working capital borrowings during the year. Further, the capital structure is expected to remain at moderate levels in the near to medium term.

### Applicable Criteria:

[Criteria on Information Adequacy Risk and Issuer Non-Cooperation Policy on Default Recognition](#)  
[Financial Ratios – Non-financial Sector](#)  
[Manufacturing Companies](#)  
[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)  
[Auto Components & Equipments](#)  
[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Ludhiana (Punjab) based, Emson Tools Manufacturing Corporation Limited (ETMCL) was incorporated as a private limited company in April, 1996. The company is currently being managed by Mrs. Devender Dhall, Mr. Abhinav Dhall and Ms. Priya Dhall. It is engaged in the manufacturing of metal forged components such as bale spears, connecting rods, gears, shafts, shifting fork, screw couplings, brake block hanger, etc. The manufacturing facility of the company is located at Ludhiana, Punjab with an installed capacity to manufacture 14,400 metric tonnes (MT) per annum of metal forgings, as on March 31, 2024. The products manufactured by the company find its application in diverse sectors such as automobile sector, railway segment, agriculture sector, etc. The company is generating ~60% of its revenue from automobile sector itself. The company procures orders from Indian Railways through the bidding process.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY25 (Prov.)
Total operating income	100.34	94.04	35.00
PBILDT	4.25	4.84	-
PAT	0.28	0.63	-
Overall gearing (times)	1.53	1.65	-
Interest coverage (times)	1.64	1.68	-

A: Audited; Prov: Provisional; 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

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of various 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		-	-	-	18.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	February, 2037	5.72	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	18.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (16-Sep-24) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (21-Aug-24)	1)CARE BB-; Stable (29-May-23)	-
2	Fund-based - LT-Term Loan	LT	5.72	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (16-Sep-24) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (21-Aug-24)	1)CARE BB-; Stable (29-May-23)	-
3	Non-fund-based - ST-BG/LC	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-Sep-24) 2)CARE A4; ISSUER NOT COOPERATING* (21-Aug-24)	1)CARE A4 (29-May-23)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge 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.

## Contact us

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