

## Esko Casting And Electronics Private Limited

October 26, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.40	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>6.40</b> <b>(₹ Six Crore and Forty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Esko Casting And Electronics Private Limited (ECEPL) to monitor the rating(s) vide e-mail communications dated May 24, 2022, July 06, 2022 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, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, ECEPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on ECEPL's bank facilities will now be denoted as **CARE BB+; 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).**

### Detailed description of the key rating drivers

At the time of last rating on August 03, 2021, the following were the rating strengths and weaknesses (updated for the information received from ECEPL)

#### Key Rating Weaknesses

##### **Sector & customer concentration, albeit low counter party risk due to association with reputed clientele/brands**

While ECEPL caters to diverse sectors such as luminaries, auto components, process control equipment, fan industries, electrical and hardware industries, however, sector concentration is observed with major revenue from the luminaries sector. The luminaries segment involved casting and assembling of LED lights for Signify Innovations India Ltd (SIIL, Philips). Having sector concentration makes revenue susceptible to the downturn in any one sector. Same trend is observed for revenue from Signify India and revenue of ECEPL, which exhibit a strong correlation. Revenue concentration can thus also be seen with top five customers contributing to 84% of the total revenue in FY21 (81% in FY20). The concentration risk is however mitigated to an extent given the market position of the customers. With its recently completed project, the company expects to diversify both its revenue and its customer profile.

##### **Susceptibility to the competitive position of Signify Innovations India Limited (Philips)**

Owing to the sector and customer concentration, Signify Innovations India Limited's demand for luminaires is the major revenue driver of the ECEPL's sale and thus any impact in the demand of Signify Innovations India Limited may have a cascading impact on the demand of products of the company.

##### **Modest scale of operations**

ECEPL's scale of operations remains relatively moderate (TOI of Rs.186.68 crore in FY22 and net worth base of Rs.42.80 crore as on March 31, 2022) as it operates in the highly competitive aluminium die casting industry. Given the highly competitive and fragmented nature of the industry coupled with the concentration of the company's clientele to large players, the pricing power of ECEPL is relatively limited. Further, the modest scale of operations deprives the company from economies of scale vis-à-vis other competitors with much larger scale.

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

### Forex Fluctuation and Import Risk

ECEPL remains exposed to the forex fluctuation risk as imports represented nearly 11% of the overall raw material requirements in FY21 (15% in FY20). Amid the absence of any formal hedging practices, any adverse movement in the foreign exchange rate could affect ECEPL's profitability.

### Key Rating Strengths

#### Sound experience of the promoters in the die and die casting industry

ECEPL is promoted by Mr Ashok Kumar Poddar and Mr Arun Poddar having a rich track record of around four decades in the die and die casting industry. The company is a closely held company and has grown under the administration of its promoters. The company's commercial operations are managed by Mr Ashok Kumar Poddar and technical aspects by Mr Arun Poddar and they are adequately supported by a team of experienced professionals/staffs.

#### Established position and tie ups with reputed brands

ECEPL is an established player in the aluminium die-casting segment and by virtue of its long existence it has established long lasting relationships with top brands having significant market share in segments such as luminaries, auto component such as lock sets, fan industry, etc. ECEPL has been able to secure repeat orders from them indicating satisfactory product delivery. The association with such brands reduces counterparty risk.

#### Satisfactory capital structure

The financial risk profile of ECEPL continues to remain satisfactory, characterized by a conservative capital structure and comfortable debt coverage indicators. The debt was mainly marked with unsecured loans of which around 50% was through ICDs and balance from related parties and repayable on demand. Excluding the above unsecured loans, the company has no major term debt. The overall gearing continued to be comfortable improving to 0.57x on March 31, 2022 from 0.67 times as of March 31, 2021 on account of accretion of profits to reserve while debt levels remained similar y-o-y. The total debt/GCA has also improved y-o-y as on March 31, 2022 to 2.37x vis-à-vis 4.30x as on March 31, 2021.

#### Improvement in Operational Performance in FY22

The total operating income of ECEPL has witnessed a growth of 34.57% y-o-y in FY22. The PBILDT margin has also increased from 6.65% in FY21 to 8% in FY22.

#### Liquidity: Adequate

The liquidity position of ECEPL is satisfactory with expected GCA sufficient to meet the repayment obligation for FY22. The utilization of fund-based limits for the last 12 months ended May'2021 was on the higher side, with avg. of max utilization of 87%. However, same is expected to ease going forward as company's fund-based limits have increased from Rs.6 crore to Rs.11 crore from July 2021. This apart the company also has available sanctioned open-ended term loan and standby line of credit aggregating to Rs.3.20 crore to support liquidity.

**Analytical approach:** Standalone

#### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

#### About the company

Esko Casting & Electronics Private Limited (formerly known as Esko Die Casting Private Ltd) was set up in 1973 by brothers Mr Ashok Kumar Poddar and Mr. Arun Poddar. It designs and manufactures dies and high-pressure castings of aluminium alloys used in lighting products (street lights, flood lights, Industrial Bay lights, LED drivers), automotive, telecommunication, irrigation, process control equipment, textile machine, fan industries, electrical and hardware industries. It also assembles luminaries, including LED lights majorly for Signify Innovations India Limited.

ECEPL has four operational manufacturing units with two units located in Kolkata and two units Faridabad, Haryana. Its commercial operations are managed by Mr. Ashok Kumar Poddar and technical aspects by Mr. Arun Poddar.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	138.72	186.68	NA
PBILDT	9.23	14.93	NA

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
PAT	1.82	4.66	NA
Overall gearing (times)	0.67	0.57	NA
Interest coverage (times)	3.83	4.49	NA

A: Audited

**Status of non-cooperation with previous CRA:** Nil**Any other information:** Not Applicable**Rating history for the last three years:** Please refer Annexure-2**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3**Complexity level of various instruments rated for this company:** Annexure-4**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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan		-	-	June 2022	0.40	CARE BB+; Stable; ISSUER NOT COOPERATING*

**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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	6.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (03-Aug-21)	1)CARE BBB+; Negative (30-Sep-20) 2)CARE BBB+; Negative (14-Aug-20)	1)CARE BBB+; Stable (16-May-19)
2	Fund-based - LT-Stand by Limits	LT	-	-	-	-	1)Withdrawn (14-Aug-20)	1)CARE BBB+; Stable (16-May-19)
3	Fund-based - LT-Working Capital Demand loan	LT	0.40	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (03-Aug-21)	1)CARE BBB+; Negative (30-Sep-20) 2)CARE BBB+; Negative (14-Aug-20)	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple

**Annexure-5: Bank lender details for this company**

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

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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