

DECEMBER 15, 2016

CARE ASSIGNS THE RATING TO THE BANK FACILITIES OF ELECON

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	3.00	CARE B; Stable (Single B/ outlook- Stable)	Assigned
Short-term Bank Facilities	2.60	CARE A4	Assigned
Total	5.60 (Rupees five crore sixty lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Elecon are primarily constrained by its small and fluctuating scale of operations with low networth base, low profitability margins, leveraged capital structure elongated operating cycle. The rating is further constrained by volatility associated with copper and aluminium prices coupled with presence of Elecon in competitive and fragmented nature of the magnetic wires industry. The rating, however, draws comfort from experienced partners and healthy relations with customers and suppliers.

Going forward, the ability of the firm to increase its scale of operations while improving its profitability margins and capital structure shall be the key rating sensitivities.

Background

Uttar Pradesh based Elecon was established in 1992 and the firm is currently being managed by Mr Atul Jain and Mrs. Vidushi Jain. Elecon is engaged in manufacturing of magnetic wires. The firm procures copper, aluminium, glass fibre and electrical insulation paper domestically. The firm sells its product domestically to manufacturing companies.

During FY16 (refers to the period April 01 to March 31), Elecon has achieved a total operating income (TOI) of Rs.22.82 crore with PBILDT and PAT of Rs.1.08 crore and Rs.0.10 crore, respectively, as against TOI of Rs.20.91 crore with PBILDT and PAT of Rs.0.98 crore and Rs.0.05 crore, respectively. Moreover, the firm has achieved total TOI of Rs.15.5 crore till 7MFY17 (refers to the period April 01 to November 30) (as per unaudited results).

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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