

EMCO Limited

April 06, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term fund based bank facilities	498.14	CARE D [Single D]	Revised from CARE B [Single B]
Short term fund based bank facilities	1,212.46		Revised from CARE A4 [A Four]
Total	1,710.60 (Rupees one thousand seven hundred ten crore and Sixty Lakhs Only)		

Details of instruments/facilities in Anneuxre-1

The rating action is based on the basis of best available information in the public domain.

Detailed Rationale

CARE revises the long-term rating assigned to bank facilities of EMCO Limited (EMCO) on account of ongoing delays in debt servicing of the company due to weakening of liquidity profile of the company.

Ability of the company to regularize the debt servicing by improving overall liquidity profile of the company remains key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weakness

Ongoing delays in debt servicing – On account of continued operating losses, there have been instances of delay in interest payment on the term loan and overdrawals in working capital limits.

Key Rating Strengths – Not Applicable

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

About the Company

Incorporated as a private limited company in 1964, EMCO (CIN: L31102MH1964PLC013011) was converted into a public limited company in 1965. The current promoter, R.S. Jain Group, took over the company from B.S. Jain Group in 1991. EMCO operates through two main verticals: Products and Projects. The products division is engaged in the manufacturing of transformers and electronic energy meters. EMCO has six manufacturing facilities for transformer, transmission tower line and meters viz two in Thane, two in Jalagaon, and one each in Dadra and Vadodara.

At standalone level, the company reported loss of Rs. 25.40 crore on Total Operating Income (TOI) of Rs. 822.49 crore in FY16 (refers to period April 01 to March 31) as compared to Profit After Tax (PAT) of Rs. 3.25 crore on TOI of Rs. 945.49 crore in FY15.

At consolidated level, the company reported loss of Rs. 44.99 crore on TOI of Rs. 848.29 crore in FY16 as compared to loss of Rs. 11.62 crore on TOI of Rs. 994.74 crore in FY15.

Further, at standalone level, the company reported loss Rs. 27.06 crore on TOI of Rs. 635.64 crore in 9MFY17 (refers to period April 01 to December 31) as compared to Rs. 30.69 crore on TOI of Rs. 503.30 crore in 9MFY16.

Status of non-cooperation with previous CRA: Not Applicable

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

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	350.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	1212.46	CARE D
Fund-based - LT-Term Loan	-	-	N.A.	148.14	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (16-Apr-15)	-	1)CARE BB+ (15-Oct-13)
2.	Fund-based - LT-Cash Credit	LT	350.00	CARE D	1)CARE B (19-Apr-16)	1)CARE B (13-Apr-15)	-	1)CARE BB+ (15-Oct-13)
3.	Non-fund-based - ST-BG/LC	ST	1212.46	CARE D	1)CARE A4 (19-Apr-16)	1)CARE A4 (13-Apr-15)	-	1)CARE A4+ (15-Oct-13)
4.	Fund-based - LT-Term Loan	LT	148.14	CARE D	1)CARE B (19-Apr-16)	1)CARE B (13-Apr-15)	-	1)CARE BB+ (15-Oct-13)

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