

Elecon

May 15, 2019

Rating			
Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	3.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on best available information
Short-term Bank Facilities	2.60	CARE A4; ISSUER NOT COOPERATING* (A FOUR; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on best available information
Total	5.60 (Rupees Five crore and Sixty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 26, 2017 placed the rating of Elecon under the 'issuer non-cooperating' category as Elecon had failed to provide information for monitoring of the rating. Elecon continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated February 28, 2019 and February 26, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on Elecon's facilities will now be denoted as '**CARE B; Stable/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.

Detailed description of the key rating drivers

At the time of last rating on December 26, 2017, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small and fluctuating scale of operations with low net-worth base: The scale of operations stood small and the small scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits.

Low profitability margins and Leveraged capital structure: The profitability margins of Elecon remained historically low owing to the intense market competition given the highly fragmented nature of the industry. The firm has leveraged capital structure mainly attributable to low net-worth base and high dependence on bank borrowing to meet its working capital requirements.

Volatility associated with copper and aluminum prices: The firm is exposed to the raw material price volatility risk due to the volatility experienced in the prices of aluminum, copper etc. which fluctuated widely with global demand and supply scenario. They constitute a major component of the raw material and hence any volatility in their prices has a direct impact on the profitability margins of the firm.

Presence in competitive and fragmented nature of magnetic wire industry: The magnetic wire manufacturing industry is fragmented with the presence of large number of organized and unorganized players leading to high competition. Further due to less capital intensive lead to presence of multiple players manufacturing similar product which restricts management profitability profile over the medium term. All this leads to high competition among the various players and low bargaining power with suppliers.

Key Rating Strengths

Experienced directors: Mr Atul Jain; Partner of Elecon is a graduate by qualification and has more than two decades of experience in magnetic wire manufacturing business through his association with Elecon. Mrs Vidushi Jain, Partner of Elecon is a graduate by qualification and has around a decade of experience in firm line of business through her association with Elecon. All the partners collectively look after the overall operations of the firm.

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

*Issuer did not cooperate; based on best available information

Healthy relations with customer and suppliers: Elecon has healthy association with customers as well as suppliers, evident from regular demand from its customers and uninterrupted supply of raw material from its suppliers ensures timely execution of work awarded. Elecon's key raw material is copper, aluminum, glass fiber, electrical insulation paper etc, which they procure from Sterlite Copper Limited, Hindalco Industries Limited, Bawa Polymers, Electra Paper and Board Private Limited and selling the finished goods to players such as, Hi-tech Transformers (I) Private Limited, Modern Transformer Private Limited etc who are operating in domestic market, with whom they are associated more than one and half decade.

Analytical Approach: Standalone

Applicable Criteria:

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

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

[Criteria for Short Term Instruments](#)

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

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

About the Firm

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.

Status of non-cooperation with previous CRA: Not Applicable

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
Non-fund-based - ST-Letter of credit	-	-	-	2.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.10	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - ST-Letter of credit	ST	2.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (26-Dec-17)	1)CARE A4 (15-Dec-16)
2.	Fund-based - LT-Cash Credit	LT	3.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (26-Dec-17)	1)CARE B; Stable (15-Dec-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (26-Dec-17)	1)CARE A4 (15-Dec-16)

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