

Elgi Electric and Industries Limited

| Instruments | Amount (In Rs. Crore) | Rating Action |
|--|--------------------------|-----------------------------------|
| Long term fund based facilities | 10.00 | Reaffirmed at [ICRA]BBB- (Stable) |
| Proposed long term facilities | 1.06 | Reaffirmed at [ICRA]BBB- (Stable) |
| Short term fund based facilities – sub limit | (2.00) | Reaffirmed at [ICRA]A3 |
| Short term non fund based facilities | 7.00 | Reaffirmed at [ICRA]A3 |

ICRA has reaffirmed the rating outstanding on the Rs.10.00 crore long term fund based facilities and the Rs.1.06 crore proposed long term facilities of Elgi Electric and Industries Limited (“EEIL”/“the Company”) at [ICRA]BBB- (pronounced ICRA triple B minus). ICRA has also reaffirmed the rating outstanding on the Rs. 2.00 crore short term fund based facilities (sub limit) and the Rs.7.00 crore short term non fund based facilities of the company at [ICRA]A3 (pronounced ICRA A three). The outlook on the long term rating is stable.

The reaffirmation of ratings take into account EEIL’s strong parentage by virtue of it belonging to the renowned Coimbatore based Sara Elgi group (“the Group”); and the company’s financial profile characterized by healthy profitability, strong debt metrics and adequate liquidity. ICRA also draws comfort from the company’s reputed customer profile comprising of players like Lakshmi Machine Works Limited (LMW), with history of low churn rates; and its established presence, strong product portfolio and healthy market share in the auxiliary textile machinery space, which contributes to majority of revenues for EEIL. Further, EEIL has wide spread distribution network to aid in pan India reach of its products.

The ratings are, however, constrained by EEIL’s muted revenues in 2015-16 and the modest growth expected over the medium term given the subdued industry outlook; and EEIL’s limited in-house value addition. Also, EEIL’s profit margins remain susceptible to the volatility in raw material prices and unfavourable forex movements, in the absence of hedging, though the cost plus pricing mechanism in most cases except tender based contracts, mitigates the risk to an extent. The company had significant amount of intra-group investments and sale/purchase transactions in FY2016, although it has reduced from past levels.

Company Profile

Incorporated in 1963 and headquartered in Coimbatore, Elgi Electric and Industries Limited (EEIL / “the Company”) is primarily engaged in the manufacturing of auxiliary textile machinery and Alternating Current (AC)/Direct Current (DC) motors apart from contract manufacturing point machines for Siemens Limited and trading of AC motors belonging to the ‘TECO’ and ‘Hengsin’ brands; the sale of products primarily happens in India. While the textile machinery division, EEIL’s main revenue generator, contributed to over 60% of the company’s revenues in FY2016, the rotating machinery division (RMD) which manufactures the point machines and AC/DC motors, the trading divisions and sale of spares/services/other miscellaneous categories contributed to the remaining. The company has a manufacturing facility in Pollachi, Tamil Nadu. EEIL is part of the renowned Coimbatore based Sara Elgi group, with interests in textiles, engineering, building products / construction and software development, amongst others, and has a relatively smaller subsidiary, Sara Elgi Industries Limited – which is also engaged in R&D/sales of auxiliary textile machinery.

Recent Results

EEIL reported adjusted profit after tax (APAT) of Rs.5.4 crore on operating income of Rs.61.7 crore for FY2016, against adjusted profit after tax (APAT) of Rs.6.9 crore on operating income of Rs.63.1 crore during FY2015

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