

Electromech Material Handling Systems (India) Private Limited

Instrument	Amount	Rating Action
Term Loan – Proposed	Rs. 40.00 crore	[ICRA]BBB (Stable) assigned
Cash Credit	Rs. 30.00 crore reduced from Rs. 45.00 crore	[ICRA]BBB (Stable) revised from [ICRA]BBB+ (Stable)
Unallocated	Rs. 5.00 crore	[ICRA]BBB (Stable) assigned
Short term, fund based facilities [#]	(Rs. 30.00 crore)	[ICRA]A3+ revised from [ICRA]A2
Short term, non-fund based facilities	Rs. 50.00 crore reduced from Rs. 80.00 crore	[ICRA]A3+ revised from [ICRA]A2

- Short term fund based facilities of Rs. 30.00 crore are sub limit to the cash credit facility

ICRA has revised the long term rating assigned to the Rs. 30.00 crore¹ (reduced from Rs. 45.00 crore) cash credit facilities of Electromech Material Handling Systems (India) Private Limited (EMHS)[†] to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB+ (pronounced ICRA triple B plus). ICRA has assigned the rating of [ICRA]BBB (pronounced ICRA triple B) to the Rs. 40.00 crore proposed term loan facility and Rs. 5.00 crore unallocated facility of EMHS. Outlook on the long term ratings is Stable. ICRA has also revised the short term rating assigned to the Rs. 30.00 crore short-term, fund based bank facilities and the Rs. 50.00 crore (reduced from Rs. 80.00 crore) short term, non-fund based bank facilities of EMHS to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A2 (pronounced ICRA A two). The Rs. 30.00 crore short-term fund based facilities are sub-limit to the cash credit facility.

The revision in the ratings takes into consideration subdued revenue performance of the company in FY16 and expected similar performance in FY17 due to muted order inflows in domestic as well as export markets. The same is reflective of exposure of the company's revenues to the capital investments in the manufacturing industries as emphasized by ICRA in the past. Decline in revenue coupled with high operating leverage impacted profitability performance considerably as reflected in 520 bps decline in operating profitability in FY16. Further, the company would be redeeming the debentures, issued to the PE investors, in December 2016 using external debt and the same is expected to moderate the capital structure, coverage indicators and cash accruals going forward. ICRA also takes note of the intense competition from organized as well as unorganized segments. The ratings however continue to derive comfort from established presence of EMHS in the domestic overhead travelling crane manufacturing industry, promoter's experience in the field, strong management profile and diversified customer profile. The ratings also factor in improvement in the liquidity position of the company as evident from improved working capital cycle supported by better recovery of debtors as well as modest working capital limit utilization.

ICRA has been highlighting that the PE infusion of Rs. 40.00 crore in the form of Compulsorily Convertible Debentures in FY11 and FY12 has led to improvement in the capital structure of the company and also reduced the reliance on working capital borrowings. ICRA has also been emphasizing that the redemption obligation on the promoters and/or the company, if exercised, would put pressure on the liquidity position of the company and possibility of refinancing for funding the buyback would result in moderation of the capital structure.

Company Profile

Electromech Material Handling Systems (India) Private Limited (EMHS) was incorporated in May 1996 by Mr. Vinayak Mehendale, father of the current Managing Director Mr. Tushar Mehendale, but did not engage in any operations until the commissioning of its plant in December 2004 at Pirangut near Pune. EMHS is involved in the design, manufacturing, installation and servicing of Electric Overhead Travelling (EOT) Cranes (single girder and double girder), Gantry cranes, Jib cranes, Underslung cranes, wire rope hoists and customized material handling solutions for material handling for shop floor applications. EMHS has its manufacturing

¹ 100 Lakh = 1 Crore = 10 Million

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



capacity at Pirangut near Pune and currently has a total installed manufacturing capacity of 1,500 cranes annually.

EMHS setup a 100% subsidiary, Cranedge, in January 2010, which acts as a service agent for EMHS for its erection and commissioning work as well as provide such services to other players in the industry. The company has also setup a ~100% subsidiary in Mauritius, which in-turn has setup a wholly-owned subsidiary in Dubai, which acts as a trading office for EMHS and as a service agent to the foreign customers of EMHS. This subsidiary has been transformed into an international hub for the company for export activities.

Recent Results

For the twelve months ending March 2016, EMHS reported standalone operating income of Rs. 141.7 crore and consolidated operating income of Rs. 190.0 crore.

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