

East India Udyog Limited (Revised)

January 12, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	200.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	400.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	600.00 (Rs. Six Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated October 16, 2019, placed the ratings of East India Udyog Limited (EIUL) under the 'issuer non-cooperating' category as EIUL had failed to provide information for monitoring of the rating. EIUL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a email dated November 02, 2020, November 17, 2020, December 14, 2020, January 04, 2021, January 05, 2021 and January 07, 2021. 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.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on October 16, 2019 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses**Working capital intensive nature of business operations with high collection period**

The business operations of the company are working capital intensive as exhibited by the long inventory holding and collection period. EIUL's key raw materials are MS sheets, aluminum and transformer oil which it purchases from domestic suppliers. CRGO sheets are imported and purchased against LC while copper and aluminum are purchased in cash or advance. The working capital cycle stood elongated at 244 days (PY: 144) in FY20 largely due to stretched collection and inventory period. The working-capital intensity necessitates higher reliance on bank finance for the working-capital requirements

Exposure to raw material price volatility

EIUL procures raw material at market rates and also imports some raw material which exposes it to raw material price volatility risk. The presence of price escalation clause in the contract shields the company from any large variation in the raw material prices thus protecting the operating margins to a certain extent.

Competitive & fragmented nature of industry and tender-driven business

Transformer industry especially distribution transformer segment is highly fragmented with presence of many organized and unorganized players. The competition in the domestic transformer industry has been increasing since the last two three years due to factors like diversion of export focused production capacity to cater to domestic market on the back of upheavals in the advanced economies, import of cheaper equipment, especially from China and large number of smaller players with limited capacity entering in the industry. Also, as most of the business is tender-driven, the incumbent players have less advantage due to aggressive bidding from the players seeking entry in the market.

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

Key Rating Strengths

Experienced promoters and long track record in power equipment sector

Established in 1966 by Mr. Lohia, EIUL is currently managed under the chairmanship of Mr. Harsh Gupta, who has more than two decades of experience in the industry. EIUL had initially started operations with transformer business and over the years has gradually integrated operations with power EPC projects. Post entering into EPC business since 2007, the company has executed various EPC orders under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) among others.

Established position with long term business relationship

EIUL is engaged in the production of transformers since 1971 and has a long established relation with its customers. Over the years, it has grown from a small scale unit to substantial operation by backward integration of facilities and reduced dependence on the major parts. It has its own lamination processing plant consisting of automatic slitting and continuous hearth furnace and in-house facilities for making most of the components required for manufacturing transformers. EIUL is registered as an approved vendor for reputed organizations and departments including Power Grid Corporation of India Limited (PGCIL, rated CARE AAA; Stable/ CARE A1+), NTPC Limited (NTPC, rated CARE AAA; Stable/ CARE A1+) and NHPC Limited (NHPC, rated CARE AAA; stable) among others. EIUL has manufactured and supplied more than 2,60,000 transformers of different capacities and voltage class to its various customers across the country like L&T Ltd, Reliance Energy Ltd, Tata Projects Ltd, IVRCL Infrastructure & Projects Ltd and KEC International among others.

Healthy order book providing medium term revenue visibility

EIUL has a healthy order book position of the EPC projects. The orders book comprises orders under various government schemes like RGGVY, DDUGJY (Deen Dayal Upadhyaya Gram Jyoti Yojana) and IPDS (Integrated Power Development Scheme) among others. The orders, however exhibit geographic concentration from four states namely, Bihar, Jharkhand, Uttar Pradesh and Madhya Pradesh.

Moderate financial risk profile

The financial risk profile of the company stood moderate characterized by moderate profitability, capital structure and debt coverage indicators. The total operating income moderated from Rs. 671.42 crore as on March 31, 2019 to Rs. 527.53 crore as on March 31, 2020. The overall gearing of the company stood at 0.39x as on March 31, 2020 which improved from 0.49x as on March 31, 2019.

Liquidity: Adequate

The liquidity of EIUL stood adequate marked by current ratio of 1.83x as on March 31, 2020 and gross cash accruals of Rs. 72.22 cr during FY20. All the orders of the company are funded either by World Bank or some nodal agencies (like REC etc.) proving assurance of realization upon execution. To tide over the uncertainty attached to the COVID-19 outbreak, the company had availed moratorium for part of its debt obligations, which is in line with the COVID-19 Regulatory Package announced by the Reserve Bank of India on March 27, 2020 and May 23, 2020.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Financial Ratios – Non financial Sector](#)

[Rating Methodology-Infrastructure Sector Ratings](#)

About the Company

Incorporated in 1966, East India Udyog Ltd. (EIUL) is promoted by (Late.) Mr. N. K. Lohia and is engaged in manufacturing of power distribution transformers, conductors, AB cable, BPL kits and other allied electrical items along with execution of turnkey contracts for distribution, transmission lines and substations. Over the years, the company has been shifting its focus on primarily being a transformer manufacturing company to a hybrid form with both manufacturing and power EPC projects.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	671.42	527.53
PBILDIT	78.31	117.82
PAT	31.88	76.49
Overall gearing (times)	0.49	0.39
Interest coverage (times)	3.08	4.58

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	-	-	-	200.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-BG/LC	-	-	-	400.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	200.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Oct-19)	1)CARE BBB; Stable (08-Jan-19)	-
2.	Non-fund-based - LT/ST-BG/LC	LT/ST	400.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (16-Oct-19)	1)CARE BBB; Stable / CARE A3 (08-Jan-19)	-

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ST-BG/LC	Simple

*Issuer did not cooperate; Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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