

September 3, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO STD/CP PROGRAMME OF  
ELECON ENGINEERING CO. LTD. (FOR ENHANCED AMOUNT)**

Instrument	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Short-term debt (incl. Commercial Paper) <i>Carved out of tied-up working capital facility</i>	160.00 (enhanced from Rs.80 cr)	'PR1+' (PR One Plus)	Reaffirmed

### Rating Rationale

The ratings continue to take into account EECL's long and established track record in engineering industry, diversified product range, market leadership in industrial gears, dominant position in material handling equipments, strong order book position and reputed client base. The ratings also factor in improved financial risk profile and stable industry outlook of the end use industry of EECL's products. The long-term rating is however constrained by its operations in a working capital intensive industry, increasing competition in a largely tender driven business and continuous debt funded capex plans of the company. The ability of EECL to increase its scale of operations with control over operating cycle and gearing level and maintain stable profitability on the back of volatility in input prices are the key rating sensitivities.

### Company Profile

EECL, incorporated in 1960, is the flagship company of the Elecon Group based at Anand, Gujarat. EECL operates in two business areas namely material handling equipments (MHE; 59% of sales for FY10) and transmission gears (41%). The company is the industry leader in industrial gears with almost 25% market share and is one of the largest manufacturers of material handling equipments in India. EECL had strong order backlog position of Rs.1,259 crore (*excluding orders on hold*) as on June 30, 2010, including Rs.930 crore of MHE division and Rs.329 crore of gear division.

During FY10, EECL registered total operating income of Rs.1,045 crore with PAT of Rs.66 crore as compared to total income of Rs.957 crore with PAT of Rs.57 crore in FY09. As on March 31, 2010, long-term debt equity ratio and overall gearing ratio improved to 0.40x and 1.43x as compared to 0.65x and 1.93x as, respectively, on March 31, 2009.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

As per the unaudited results for Q1FY11, EECL registered total income of Rs.247 crore with PAT of Rs.13 crore as compared to total income of Rs.214 crore with PAT of Rs.9 crore in Q1FY10.

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