

**EIMCO ELECON**

Eim/Sec/NSE/
23rd January 2014

FAX NO. 022-2659 8237/38

National Stock Exchange of India Limited
Capital Market (Listing)
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051

Attn : Asst. Vice President

(Symbol EIMCOELECO - Series EQ)

Sub : Submission of Rating Rational by CRISIL

Dear Sirs,

We are sending herewith a copy of latest Rating Rational of our company by CRISIL, reaffirming the "Stable" status.

Please acknowledge.

Thanking you,

Yours faithfully,
For EIMCO ELECON (INDIA) LTD.,

Nilesh D. Shelat
Company Secretary

Encl :

Rating Rationale



December 20, 2013
Mumbai

Eimco Elecon (India) Limited

Ratings Reaffirmed

Total Bank Loan Facilities Rated	Rs.810 Million
Long-Term Rating	CRISIL AA- / Stable (Reaffirmed)
Short-Term Rating	CRISIL A1+ (Reaffirmed)

(Refer to Annexure 1 for details on facilities)

Rs.50 Million Non-Convertible Debentures	CRISIL AA- / Stable (Reaffirmed)
Rs.170 Million Commercial Paper	CRISIL A1+ (Reaffirmed)

CRISIL's ratings on the bank facilities and debt instruments of Eimco Elecon (India) Ltd (Eimco Elecon) continue to reflect Eimco Elecon's sound financial risk profile, established position in the underground mining equipment industry, and the technological support it receives from foreign collaborators. These rating strengths are partially offset by the company's dependence, though reducing, on Coal India Ltd (CIL; rated 'CRISIL AAA/Stable/CRISIL A1+') and its subsidiaries (collectively referred to as CIL) for revenues.

Eimco Elecon has a sound financial risk profile, marked by a strong capital structure and healthy debt protection metrics. The company has remained debt-free since 2009-10 (refers to financial year, April 1 to March 31), with steady accruals funding its nominal capital expenditure and working capital requirements. Together with unencumbered liquid surplus of about Rs.0.5 billion (as on March 31, 2013), Eimco Elecon's strong balance sheet provides it adequate cushion to weather any downturns.

Eimco Elecon has a near monopoly in the underground coal mining equipment industry in India, with a market share of over 90 per cent. Its established market position is further supported by an extensive after-sales service network. The company's technical capabilities are supported by its collaboration with foreign partners. During 2008-09, Eimco Elecon entered into a technical collaboration with Huta Stalowa Wola SA, a Polish company, to manufacture loaders with applicability in multiple industries such as coal mining, construction, and road-building. CRISIL believes Eimco Elecon is likely to maintain its leadership position and gradually increase its scale of operations, over the medium term.

Eimco Elecon's high revenue dependence on CIL historically has exposed it to concentration risks. Given that CIL's operations tend to be constrained by regulatory and policy changes, Eimco Elecon's revenue growth has remained sluggish; the company's revenues registered a low compound annual growth rate of 3 per cent over the five years through 2012-13. The company has, however, undertaken initiatives to diversify its clientele; CIL currently contributes about 70 per cent of its revenues as against 96 per cent in 2010-11. CRISIL believes that while the diversification measures will gradually decrease Eimco Elecon's customer concentration, CIL is likely to account for a sizeable proportion of the company's revenues over the medium term.

Outlook: Stable

CRISIL believes that Eimco Elecon will maintain its financial risk profile over the medium term, supported by its healthy capital structure and steady cash accruals. Furthermore, the company is likely to benefit over this period from the stable business environment in the underground mining segment, translating into gradual growth in equipment volumes and in sale of spare parts. The outlook may be revised to 'Positive' if Eimco Elecon significantly improves its revenues and further diversifies its customer profile. Conversely, the outlook may be revised to 'Negative' if there is a significant decline in the company's revenues, or if its profitability or capital structure deteriorates.

About the Company

Eimco Elecon, incorporated in 1974, is a joint venture between the Elecon group and Sandvik AB, Sweden, the world's leading manufacturer of rock-drilling tools and underground mining equipment. Eimco Elecon produces a very wide range of underground mining machinery, such as air-powered rocker shovels, electro-hydraulic side-dump loaders, and electro-hydraulic and air-powered load-haul dumpers, used as loading machines in underground coal mines. Eimco Elecon has its manufacturing facilities at Vallabh Vidyanagar (Gujarat). Its major clients are the subsidiaries of CIL, namely, Bharat Coking Coal Ltd and Eastern Coalfields Ltd. Other clients include The Singareni Collieries Company Ltd, Uranium Corporation of India Ltd, and Bharat Gold Mines Ltd. During 2011-12, Eimco Elecon sold its surface drilling product line to Sandvik Asia Pvt Ltd (rated 'CRISIL AA/Stable/CRISIL A1+') for a consideration of Rs.165 million and booked a profit of Rs.89.9 million after writing off inventory related to the segment worth Rs.75.1 million.

Eimco Elecon reported a profit after tax (PAT) of Rs.151.3 million on net sales of Rs.1.7 billion for 2012-13, against a PAT of Rs.203.3 million on net sales of Rs.1.77 billion for the previous year. For the six months ended September 30, 2013, the company reported a PAT of Rs.71.4 million on net sales of Rs.637 million, against a PAT of Rs.11.09 million on net sales of Rs.866 million for the corresponding period of the previous year.

Annexure 1 – Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs. Million)	Rating	Facility	Amount (Rs. Million)	Rating
Cash Credit	50	CRISIL AA- /Stable	Cash Credit	180	CRISIL AA- /Stable
Letter of Credit*	260	CRISIL A1+	Letter of Credit*	260	CRISIL A1+
Letter of Credit	320	CRISIL A1+	Letter of Credit	320	CRISIL A1+
Short-Term Loan	50	CRISIL A1+	Short-Term Loan	50	CRISIL A1+
Proposed Long-Term Bank Loan Facility	130	CRISIL AA- /Stable	--	0	--
Total	810		Total	810	

*Interchangeable with bank guarantee

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About CRISIL Ratings

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