Rating Rationale

EMI Transmission Ltd **16th October 2017**

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 824.69 Crore of EMI Transmission Ltd

Particulars

Facility Rated	Amount (Rs. Crore)	Tenure	Rating*
Fund Based			
CC/PC/WCDL	267.00	**Long Term**	**BWR BBB+ (Pronounced BWR Triple B Plus) Outlook: Stable**
Standby Line of Credit	46.90		
Non Fund Based			
LC	244.80		
BG	264.59	**Short Term**	**BWR A2 (Pronounced BWR Single A Two)**
Forward Cover	1.40		
Total	**Rs. 824.69 Crore (Rs. Eight Hundred and Twenty Four Crore & Sixty Nine Lakh)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon EMI Transmission Ltd's (ETL) audited financial results up to FY16, provisional financials of FY17 and projected financials of up to FY19, the information/clarifications provided by the Company and the information available on the public domain.

The ratings, inter alia, factor established track record of the Company, long standing relationship of the Company with its customers, strong project execution record of the Company, diversified product portfolio, healthy order book position, sustained profitability over the years and experience of the promoters in the industry.

The ratings however continue to remain constrained by company's stretched working capital cycle, susceptibility to foreign exchange risk and competitive bidding policy owing to reduced profitability.

Key Risk Drivers:

1. **Extensive experience of promoters & strong relationship with customers**

The promoters of the Company have extensive experience in power equipment industry and ably supported by experienced management. The management over the years has developed strong relationship with its customers.

2. **Healthy operating and net margins:** The Company expanded its operations through newly added customers over the years. The Company was able to maintain profit margins. As per the provisional financials, the company has recorded operating margin of 23% and net margin of 4%.
3. **Stretched working capital cycle:** The Company's conversion cycle increased to 630 days in Fy17 from 534 days in FY16 due to rising inventory days along with rise in collection period.
4. **Inherent risk of foreign exchange fluctuation:** Export sales accounted for 35% of total revenue earned in FY17. The Company is exposed to fluctuations in the foreign exchange markets.

Rating Outlook: Stable

BWR believes the EMI Transmission Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in 1961, EMI Transmission Limited ("EMI" or "the Company") is one of the leading manufacturer of hardware accessories and electrical fittings for high voltage transmission line up to 1,200 KV and is headquartered in Mumbai, India. EMI Transmission Limited (ETL) was promoted by Mr. R.D. Seth and is currently managed by his son Mr. S.R. Seth.

Company's Financial Performance

The Company has achieved Rs. 560.54 Cr of total operating income in FY 16, as against Rs. 455.00 Cr of total operating income in FY15. The company reported net profit of Rs. 28.18 Cr in FY16 as against net profit of Rs. 27.18 Cr in FY15. As per provisional financials for FY17, the Company has achieved total operating income of Rs. 598.79 Cr and net profit of Rs. 24.52 Cr.

Rs. Crore	FY17	FY16
	Provisional	Audited
Revenue	605.93	579.31
PBDIT	139.23	138.64
PAT	24.52	28.18
Networth	343.77	311.90
Debt to Equity (Times)	1.12	1.08
Current Ratio (Times)	1.34	1.28

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	FY16	FY15	FY14
1.	CC/PC/WCDL	Long Term	267.00	BWR BBB+ (Outlook:Stable)	-	-	-
2.	Standby Line of Credit	Long Term	46.90	BWR BBB+ (Outlook:Stable)	-	-	-
3.	Letter of Credit	Short Term	244.80	BWR A2	-	-	-
4.	Bank Guarantee	Short Term	264.59	BWR A2	-	-	-
5.	Forward Cover	Short Term	1.40	BWR A2	-	-	-
Total	-		824.69	(Rs. Eight Hundred and Twenty Four Crore & Sixty Nine Lakhs)			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector

Analytical Contacts	Media
Sushil Kumar Chitkara Deputy General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.