Press Release

ECE Industries Limited

May 26, 2025

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	85.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Rating Upgraded	Simple
Short Term bank Facilities	349.00	IVR A2+ (IVR Single A Two Plus)	IVR A2 (IVR Single A Two)	Rating Upgraded	Simple
Total	**434.00**	**Rupees Four Hundred and Thirty-Four Crore Only**			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Limited (IVR) has upgraded the long/Short Term rating to IVR A Minus with a Stable outlook & IVR A2+ for the bank loan facilities of ECE Industries Limited.

The upgradation of the rating to the bank facilities of ECE continues to derive comfort from the established track record of operations and experienced management, reputed clientele, healthy order book, and improved financial risk profile during FY2025 (Prov.) (refers to period April 01, 2024, to March 31, 2025). However, these strengths are partially offset by tender based nature of business and susceptibility of operating margin to volatile input prices & high average collection period and long outstanding debtors.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the ECE business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of ECE up to FY24(A) & FY25 Provisional results and two years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 1,000.00 crore and maintain profitability margins over the medium term.
- Timely execution of orders hand.
- Sustenance of capital structure with improvement in debt protection metrics.
- Improvement in liquidity position.

Downward Factors

- Moderation in total operating income and/or moderation in profitability.
- Any delay in execution of orders in hand.
- Moderation in the capital structure with moderation in overall gearing and/or moderation in interest coverage.
- Moderation in liquidity position with increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters and Management Team with Proven Operational Excellence:**

ECE Industries Limited, led by its visionary Managing Director, Mr. Prakash Kumar Mohta (54.30% of shareholding), is a company with strong roots. The company is part of the esteemed Birla Group, with Mr. Mohta being the son-in-law of the renowned industrialist, Mr. Basant Kumar Birla. In a strategic move to enhance operational efficiency and focus on core business objectives, ECE Industries Limited voluntarily delisted from the stock exchange in April 2019.

- **Diversified Product Portfolio and Established Clientele:**

ECE has three manufacturing facilities across Sonipat, Hyderabad & Ghaziabad. ECE is majorly engaged into manufacturing of Transformers and Elevators. It also has adhesive unit wherein Adhesive for industrial use are sold and has processing unit for the same which contribute to some part of total income of the company. Besides, ECE has Pan India presence through its established network of branch offices in most of the major States which enables it to generate geographically diversified revenue.

- **Improvement in financial performance in FY2024 and in FY25(P)**

  ECE has reported revenue of INR 882.00 crore in FY25(P) as compared to INR 730.99 crore in FY24(A), signifying growth of 20.66% year-on-year, which was primarily driven by healthy demand from transformer division, sale of upgraded transformers of up to 160-MVA capacity at higher sales realizations, along with timely execution of the pending order book. The growth is also supported by sustained growth and stabilisation in revenue from elevators. On the back on continuous improvement in topline, the absolute EBITDA has also improved and stood at Rs.58.22 crore in FY25(P) as compared to Rs.50.20 crore of FY24(A). The operating margin of the company which stood around 6.87% in FY24 has remained flat and stood at 6.60% in FY25. However, ECE has witnessed significant improvement in profitability Margins in FY25(P) to 6.58% against 3.82% in FY24(A) due to increase in other income to Rs.31.00 crore against Rs. 11.80 crore in FY24(A).

- **Comfortable capital structure coupled with improvement in debt coverage indicators in FY2025(P)**

  The capital structure of the company remained satisfactory over the past three account closing dates marked by its satisfactory leverage ratios and comfortable debt protection metrics. The long-term debt to equity and overall gearing ratio of the company stood comfortable at 0.10x and 0.29x respectively as on March 31, 2025. Overall indebtedness marked by TOL/TNW remained flat at 1.18x as on March 31, 2025. In FY25(P), backed by the improved absolute EBITDA, debt protection metrics marked by interest coverage ratio stood comfortable at 7.46x in FY25. Other debt protection parameters like total debt to EBITDA and total debt to NCA also stood satisfactory at 1.98x and 1.76 years respectively as on March 31, 2025.

- **Adequate Liquidity position supported by sizeable investment**

ECE's liquidity position remains adequate, supported by sizeable investments in equities, mutual funds, debt funds and venture capital funds, in addition to cash balances in the business aggregating to Rs. 205.21 crore as on March 31, 2025.

Key Rating Weaknesses

- **Large working capital requirement:**
  ECE Receivable days remained elongated at 112 days in FY25 (FY24: 118 Days; FY23: 120 Days) as the company is catering to state utilities and industrial consumers. The duration of installing a transformer is usually takes 220 days and state electricity board takes longer time to clear payments given the time-consuming formalities for approvals before clearing the funds. For elevator division, 90% of the bill is received before the installation in the form of advance and the balance takes 12 – 15 Months. ECE has established relationship with its suppliers, which partially supports its elongated working capital with creditor days of 87 days in FY25 (FY24: 90 Days; FY23: 86 Days). The inventory days stood at 60 in FY25 (FY24: 74; FY23: 78). IVR believes the working capital requirement will remain high in the business and timely payments from state power utilities will remain a key rating monitorable in the medium term.

- **Tender driven nature of business**
  ECE business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic electrical sector is fragmented with presence of many players with varied statures & capabilities. This restricts ECE operating and financial flexibility.

- **Profitability susceptible to raw material price volatility**
  The key raw materials for Epoxy group are copper, aluminium, laminations, CRGO and other moulding material. Prices of these metals are linked with international metal prices that have exhibited a volatile trend in the past. Moreover, raw material procurement is majorly order backed and has claimed price escalation from its customers in the past in case of steep increase of copper prices. These factors and expertise of management in handling RM procurement act as mitigants to a certain extent against the volatile raw material prices.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Manufacturing entities]
[Financial Ratios & Interpretation Non- Financial Sector]
[Criteria for assigning rating outlook]
[Policy on Default Recognition]
[Complexity Level of Rated Instruments/Facilities]

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate in the near to medium term on the back of its expected sufficient cash accruals vis-à-vis its debt repayment obligations of Rs. 0.65 crore – Rs. 8.10 Crore during FY2025-FY2027. ECE earned gross cash accruals of Rs.43.63 crore – Rs. 67.75 Crore from FY25 – FY27. Overall gearing ratio was comfortable at 0.29x as on March 31, 2025, indicating a sufficient gearing headroom. However, the average utilisation of fund-based limits remained moderate at ~30.93% during the last twelve months ended December 2024 indicating a moderate cushion. Further, ECE had unencumbered cash and cash equivalent of Rs.33.97 crore as on 31st March 2025(P).

About the Company

The ECE Industries (ECE) story began as early as 1945 when it was Electric Construction & Equipment Company Limited. ECE started as a small electrical repair workshop at Hazra Road in Calcutta, during the second World War Days, steadily emerged as a growing industrial enterprise establishing itself in various fields of Indian electrical industry. The company has an established track record of more than seven decades in manufacturing a wide range of transformers catering to state utilities and industrial consumers. ECE is a part of BK Birla Group.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2024	31-03-2025
	Audited	Prov.
Total Operating Income	730.99	882.00
EBITDA	50.20	58.22
PAT	28.36	60.03
Total Debt	80.22	115.16
Tangible Net worth*	326.02	396.59

For the year ended* As on	31-03-2024	31-03-2025
EBITDA Margin (%)	6.87	6.60
PAT Margin (%)	3.82	6.58
Overall Gearing Ratio (x)	0.25	0.29
ISCR (x)	5.51	7.46

as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 Dated: March 29, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated: Feb 01, 2023
1	Term Loan	Long Term	35.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	--	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/Positive (IVR Triple B Plus with Positive outlook)
2	Cash Credit	Long Term	50.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	--	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook	IVR BBB+/Positive (IVR Triple B Plus with Positive outlook)
3	Letter of Credit/ Bank Guarantee	Short Term	349.00	IVR A2+ (IVR Single A Two Plus)	--	IVR A2 (IVR Single A Two)	IVR A2 (IVR Single A Two

Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain
Tel: (011) 45579024
Email: opjain@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan			April 2029	35.00	IVR A-/ Stable (IVR A Minus with Stable outlook)
Long Term Bank Facilities – Cash Credit			-	50.00	IVR A-/ Stable (IVR A Minus with Stable outlook)
Short Term Bank Facilities – Bank Guarantee/Letter of Credit			-	349.00	IVR A2+ (IVR Single A Two Plus)

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-ECE-Industries-may25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com