

### Sakthi Accumulators Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA B/Stable (Assigned)
Term Loan	10.00	SMERA B/Stable (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)
Bill Discounting	1.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) to the Rs.16.00 crore long term bank facilities and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.4.00 crore bank facilities of Sakthi Accumulators Private Limited (SAPL). The outlook is '**Stable**'. The ratings are constrained by the weak financial risk profile, working capital intensive operations, modest scale of business and susceptibility of profitability to volatility in lead prices. However, the ratings draw support from the experienced management and established relations with reputed players in the solar industry.

The weak financial risk profile of SAPL is marked by high gearing of 6.23 times as on March 31, 2016 as compared to 3.37 times as on March 31, 2015. The interest coverage ratio has been low at 1.05 times and DSCR at 1.27 times in FY2016. SAPL has tight liquidity profile with net cash accruals of Rs 0.67 crore and high working capital cycle of 104 days in FY2016. The inventory days have also been high at 157 in FY2016 as compared to 208 in FY2015. The ratings also factor in the volatility in the prices of lead - the key raw material for manufacturing tubular batteries that might have an impact on the margins of the company. Considering a track record of almost two decades, the company's modest scale of operations is marked by revenue of Rs.20.36 crore in FY2016 as against Rs.7.29 crore in FY2015.

The ratings however draw comfort from the experienced management. The directors, Mr. R. Kandasamy and others possess over two decades of experience in the solar industry. Besides, the company has established relations with reputed players in the industry such as V-Guard, Bajaj Electricals to name a few.

#### Rating Sensitivity Factors

- Sustained improvement in revenue while maintaining profitability
- Efficient working capital management

#### Outlook – Stable

SMERA believes that SAPL will maintain a stable outlook in the medium term backed by its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability and net cash accruals. However, the outlook may be revised to 'Negative' if the company fails to achieve expected revenues, profitability or if the working capital cycle further deteriorates.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

## About the Company

SAPL was promoted by Mr. R. Kandasamy in 1992 as a partnership firm to manufacture and market lead batteries (tubular batteries, SMF batteries, automotive batteries, stationary cells). Later, in 2014 the company reconstituted itself as a private company. The company generates maximum revenues from sale of tubular batteries. The management of SAPL has experience of more than two decades in the given line of business. The day-to-day operations are managed by Mr. Shiv Kumar. The current production capacity is 50000 units (Batteries) per annum.

For FY2016, SAPL reported profit after tax (PAT) of Rs (1.42) crore on operating income of Rs.20.36 crore as compared with PAT of Rs.0.01 crore on operating income of Rs.7.29 crore in the previous year.

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## ABOUT SMERA

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