

Press Release

Sakthi Accumulators Private Limited

December 19, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 28.00 crore bank facilities of Sakthi Accumulators Private Limited (SAPL). The outlook is '**Stable**'.

SAPL incorporated in 1992 as a partnership firm by Mr. R. K. Kandasamy was converted to private limited in 2014. The company manufactures lead batteries (tubular batteries, automotive batteries and traction batteries) which find application in UPS inverters and solar panels, among others. The manufacturing facilities has installed capacity of 12000 batteries per month.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the entity.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

SAPL was started by Mr. R. Kandasamy in 1992 as a partnership firm for manufacturing and marketing of lead batteries. Later in 2014, the company reconstituted itself as a private limited entity. The management of SAPL has experience of more than two decades in the given line of business. The day to day operations of the company are managed by Mr. Shiv Kumar who is well supported by experienced and qualified professionals.

- **Established relations with solar power industry clients**

SAPL is engaged in the business of manufacturing of lead tubular batteries which are used for solar applications such as solar lighting panels. The company caters to reputed and prominent clients in solar power industry. It has long relationship with clients such as V-Guard, Bajaj Electrical, Selco India to name a few.

Weaknesses

- **Average financial risk profile**

The financial risk profile of SAPL has remained average marked by net worth of Rs.7.15 crore as on 31 March, 2018 as against Rs.5.90 crore as on 31 March, 2017. The gearing stood high at 3.21 times as on 31 March, 2018 as against 3.23 times as on 31 March, 2017. The total debt outstanding as on 31 March, 2018 of Rs.22.98 crore comprises Rs.6.31 crore as term loan, Rs.10.62 crore as unsecured loans from the directors, and Rs.6.05 crore as working capital borrowing. Interest Coverage Ratio (ICR) stood comfortable at 2.33 times in FY2018 as against 2.08 times in FY2017. The net cash accruals have improved to Rs.1.92 crore in FY2018 as against Rs.3.02 crore in FY2017. NCA/TD stood at 0.08 times in FY2018 as against 0.16 times in FY2017.

- **Ability to scale up its operations**

SAPL's scale of operations is modest with operating income of Rs.59.09 crore in FY2018 as against Rs.41.62 crore in FY2017. SAPL faces intense competition from a number of organised and unorganised players. The ability of the company to scale-up its operations while maintaining profitability will be key rating factor.

Outlook: Stable

Acuité believes that SAPL will continue to maintain a 'Stable' outlook over the medium term from its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case the company registers healthy revenues and sustains profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profit margins and working capital cycle

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	59.09	41.62	20.36
EBITDA	Rs. Cr.	5.71	4.64	2.62
PAT	Rs. Cr.	0.94	2.09	-1.42
EBITDA Margin	(%)	9.66	11.15	12.87
PAT Margin	(%)	1.59	5.01	-6.97
ROCE	(%)	17.69	21.32	4.44
Total Debt/Tangible Net Worth	Times	3.21	3.23	6.23
PBDIT/Interest	Times	2.33	2.08	1.05
Total Debt/PBDIT	Times	3.99	3.10	8.29
Gross Current Assets (Days)	Days	136	123	190

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Nov-2017	Proposed Cash Credit	Long Term	7.00	ACUITE B+ / Stable (Upgraded)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B+ / Stable (Upgraded)
	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Upgraded)
	Term Loan	Long Term	10.00	ACUITE B+ / Stable (Upgraded)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	1.00	ACUITE A4 (Reaffirmed)
03-Nov-2016	Cash Credit	Long Term	6.00	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A4 (Assigned)

	Letter of Credit	Short Term	3.00	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	1.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.21	ACUITE B+ (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	13.79	ACUITE B+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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