



**Press Release**  
**Sakthi Accumulators Private Limited**  
**October 04, 2023**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	28.00	ACUITE B+   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	50.00	-	-

**Rating Rationale**

Acuite has upgraded the long term rating to **ACUITE B+ (read as ACUITE B plus)** from **ACUITE B (read as ACUITE B)** on the Rs. 28.00 crore bank facilities and assigned the long term rating of **ACUITE B+ (read as ACUITE B plus)** on the Rs. 22.00 crore bank facilities availed by the company. The outlook is **'Stable'**.

**Rationale for rating upgrade**

The rating upgrade factors the ramp up in operations in SAPL's manufacturing facility as reflected in operating revenues of Rs. 94.62 Cr compared to Rs.33.32 in FY2022. There was a fire accident in January 2021 due to which the revenues of the company had declined in FY2022. However, the company had taken a capex in FY2022 to revamp operations and had been successful as reflected in FY2023. The operating margins of the company stood at 8.59 per cent in FY2023(Provisional) compared to 4.05 per cent in FY2022. Furthermore, the rating also draws comfort from the extensive experience of the management in the lead battery industry and its longstanding relationship with its key customers. However, the rating is constrained by average financial risk profile, and susceptibility of its margins to competition in a fragmented industry and prices of raw materials.

**About the Company**

Incorporated in 1992 at Anekal Taluk (Bangalore), 'Sakthi Accumulators Private Limited (SAPL)' was started by Mr. R. Kandasamy as a partnership firm for the manufacturing and marketing of lead batteries. Later in 2014, the company reconstituted itself as a private limited liability company. The management of SAPL has more than three decades of experience in the given line of business. The day-to-day operations of the company are managed by Mr. Shiv Kumar and Mr. Nagaraj Rajgopal, who are well supported by experienced and qualified professionals.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SAPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

Extensive experience of the management in the industry

SAPL was formed in 1992 at Anekal Taluk (Bangalore) as a partnership firm and later incorporated as a company by Mr. R. Kandasamy, who has three decades of experience in

the lead battery business. 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 have an installed capacity of 1000 million VAH (volt-ampere hours) per year. The company also enjoys healthy relationship with its customers and suppliers and is expected to benefit from the same over the medium term. Its order book as on FY2023 is about Rs.30.23 Cr which gives it revenue visibility. Acuité believes that the company will continue to benefit from the extensive experience of its promoters and its established presence in the automobile ancillaries' industry over the medium term.

## **Weaknesses**

### **Average financial risk profile**

The financial risk profile of the company remained average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company stood improved at Rs.11.05 Cr as on FY2023(Provisional) as compared to Rs.10.53 Cr. as on FY2022. The gearing (debt-equity) stood high at 3.91 times as on FY2023 (Provisional) as against 4.80 times as on FY2022. The total debt of Rs.43.20 Cr as on FY2023(Provisional) consists of short-term bank borrowings of Rs.12.73 Cr and unsecured loans from directors of Rs.6.00 Cr. and long-term bank borrowings of Rs.18.14 Cr over the same period. The interest coverage ratio and DSCR stood moderate at 1.58 times and 1.58 times respectively for FY2023(Provisional) as against (0.22) times and (0.21) times respectively for FY2022.

Acuité believes that the financial risk profile of SAPL is however expected to remain moderate over the medium term.

### **Susceptibility of its margins to competition in a fragmented industry and prices of raw materials**

SAPL manufactures lead batteries (tubular batteries, automotive batteries, and traction batteries), which find application in UPS, inverters, and solar panels, among others. This is a highly competitive and fragmented market with limited entry barriers as reflected in its margins of 8.57 per cent in FY2023. Acuite believes that in order to increase sales amidst the highly competitive industry, the margins are expected to remain a key rating sensitivity factor over the medium term.

## **Rating Sensitivities**

- Sustainability in revenue and improvement in profitability margins
- Improvement in financial risk profile
- Debt funded capex plans

## **All Covenants**

None

## **Liquidity Position**

### **Stretched**

The liquidity position of the company is stretched marked by low net cash accruals and working capital intensive nature of operations. The company reported net cash accruals of Rs. 2.61 crore in FY2023(Provisional) as against Rs.1.68 Cr. matured debt obligations over the same period. The working capital requirement of the company remained intensive, marked by a high gross current asset (GCA) of 147 days for FY2023 (Provisional) as compared to 457 days as of FY2022. The Fund based limit utilisations is marked by 95.48% in the last seven months ended July 2023. The cash and bank balances of the company stood at Rs. 0.06 crore as on FY2023(Provisional). The current ratio stood at 1.21 times as on FY2023 (prov.) as compared to 2.65 times as on FY2022.

Acuité believes that the liquidity position of the company will remained stretched due to working capital intensive nature of operations and low but steady accruals over the medium term.

## **Outlook: Stable**

Acuité believes that the society will maintain a 'Stable' outlook over the medium term on account of the established track record of the society and experienced professionals as trustees. The outlook may be revised to 'Positive' if the society achieves substantial improvement in its gearing. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability leading to deterioration in liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	94.62	33.32
PAT	Rs. Cr.	0.52	(2.44)
PAT Margin	(%)	0.55	(7.31)
Total Debt/Tangible Net Worth	Times	3.91	4.80
PBDIT/Interest	Times	1.58	(0.22)

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2022	Term Loan	Long Term	2.21	ACUITE B ( Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE B ( Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	13.79	ACUITE B ( Issuer not co-operating*)
	Proposed Cash Credit	Long Term	4.00	ACUITE B ( Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4 ( Issuer not co-operating*)
11 May 2021	Proposed Cash Credit	Long Term	4.00	ACUITE B (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	13.79	ACUITE B (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	2.21	ACUITE B (Issuer not co-operating*)
24 Feb 2020	Proposed Long Term Loan	Long Term	13.79	ACUITE B (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	6.00	ACUITE B (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	4.00	ACUITE B (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.21	ACUITE B (Downgraded and Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE B+   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE B+   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.82	ACUITE B+   Stable   Upgraded
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.71	ACUITE B+   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.47	ACUITE B+   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE B+   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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