

Press Release

Sri Balaji Assemblies And Plastics Private Limited

December 20, 2022



Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE BB+ Positive Assigned	-
Bank Loan Ratings	38.00	ACUITE BB+ Positive Upgraded Stable to Positive	-
Bank Loan Ratings	1.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	53.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**Acuite BB**' (Read as **ACUITE Double B**) and reaffirmed its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.39.00 Cr bank facilities of Sri Balaji assemblies and Plastics Private limited (SBAPPL). The outlook is revised from '**Stable**' to '**Positive**'.

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.14.00 Cr bank facilities of SBAPPL. The outlook is '**Positive**'.

Rationale for the rating:-

The rating upgrade and outlook revision takes into account its improvement in scale of operations marked by increase in operating income and rise in profitability ratios of the company. SBAPPL has been able to improve and sustain its operations in FY2022 on the back of continuous and repetitive orders from its reputed domestic clients and has recorded operating income of Rs.234.21 Cr in FY2022 as against Rs.150.79 Cr in FY2021. SBAPPL has remained resilient and demonstrated improvement in its profitability margins and recorded operating profit (EBITDA) margin and net profit margin of 5.65% and 3.03% respectively in FY2022 as against 3.48% and 0.87% respectively, in FY2021.

The rating continues to be supported by the experienced management, long track record of operations and relations with reputed clients, strong growth in operating and profitability margins, improved and efficient working capital position and moderate Financial risk profile. The rating is constrained by its exposure to intense competition in the Auto Components industry and client concentration risks.

About the Company

Established in 1988 as a proprietorship firm Sri Balaji Assemblies And Plastics Private Limited was later reconstituted in 2003 as a private limited company. The company is primarily catering to the auto electrical industry and is engaged in assembling of automotive wiring harness, cover

and brush plate, ignition coils. In addition the company is also manufacturing electrical panels and pumps for power sub stations and agricultural industry. The company was promoted by Mr. D. Sridhar and currently the business is headed by the four brothers namely Mr. D. Sridhar, Mr. L. Narasimhan, Mr. D. Parthasarathy and Mr. D. Sundarrajan. The Company is based in Chennai, Tamil Nadu.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SBAPPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management, long track record of operations and relations with reputed clients:-

SBAPPL is established in 1988 as a proprietorship firm, Sri Balaji Assemblies & Plastics Private Limited was later reconstituted as a private limited company in 2003. The promoters possess experience of nearly three decades in the auto ancillary industry. The company was promoted by Mr. D. Sridhar and currently the business is headed by the four brothers namely Mr. D. Sridhar, Mr. L. Narasimhan, Mr. D. Parthasarathy and Mr. D. Sundarrajan. SBAPPL has 15-18 customer base in south India with major clients are Lucas Tvs Limited, Bosch Electrical Drives India Private Limited, Schneider Electric India Private Limited, Ge T&D India Limited etc. SBAPPL has long term relations of over two decades with Lucas TVS Limited for its auto ancillary components.

Strong growth in Operating and profitability margins

The operating income of SBAPPL has increased from Rs.150.79 Cr in FY2021 to Rs.234.21 Cr in FY2022 and EBITDA margins improved from 3.48% in FY2021 to 5.65% in FY2022. PAT Margin stood at 3.03% in the FY2022 against 0.87% in the FY2021. Increase in sales is primarily due to increase in the demand of electrical vehicles (EV) vehicles in India. The major customer is Lucas Tvs Limited who is OEM for major auto mobile manufacturers, and SBAPPL supplies 60% of the Raw materials to Lucas TVS limited. SBAPPL has outstanding unexecuted order of Rs.303 Cr in hand which required to be completed in the next 6-12 months. Acuité believes that with an ongoing growth in demand in the industry backed by reputed clientele profile, the profitability of the firm is expected to improve over the medium term.

Improved and efficient working capital position.

SBAPPL working capital is marked by moderate its GCA (Gross current Assets) stood at 80 days in the FY2022 against 115 days in FY2021. The improvement in GCA days are due to improvement in debtors and inventory days. The debtor days stood at 51 days in the March 31, 2022 against 76 days in March 31, 2021. The inventory days stood at 25 days in the March 31, 2022 against 36 days in March 31, 2021. Subsequently, the payable period stood at 25 days as on March 31, 2022 against 41 days in March 31, 2021. Further, the average bank utilisation of the CC limit stood at 79.32% for the latest 6 month ending September 2022. Acuité believes that, with the nature of business, operations are expected to be moderately working capital intensive over the medium term and remain a key rating sensitivity factor.

Moderate Financial risk profile.

The SBAPPL's moderate financial risk profile is marked by moderate net worth, gearing and healthy debt protection metrics. The net worth of the company stood at Rs.33.74 Cr worth is due to accretion of reserves. The gearing of the SBAPPL deteriorated marginally as on March 31, 2022 on account of increase in debt levels which is for the capital investment. It stood at 1.51 times as on March 31, 2022 against 1.19 times as on March 31, 2021. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 6.09 times and 2.67 times as on March 31, 2022, respectively as against 3.14 and 2.98 times as on March 31, 2021 respectively. TOL/TNW stood at 2.06 times and 1.82 times as on March 31, 2022 and 2021, respectively. The improvement in debt protection metrics is on account of increase in net cash accruals. The debt to EBITDA of the company stood at 3.85 times as on March 31, 2022 as against 6.01 times as on March 31, 2021. Acuité expects the financial risk profile to improve

over the medium to long term period on account of increase operations of the company supported by a moderate net worth profile.

Weaknesses

Exposure to intense competition in the Auto Components industry

SBAPPL operations are located in Tamil Nadu state which is an array of auto components manufacturer in India. Chennai is called as the Detroit of India. High level of competition affects its margin in the future years. The company faces competition from other players in the highly competitive auto ancillary industry.

High Customer concentration and geographical risk

SBAPPL has high customer and geographical concentration risk with around 15-18 customers in South India. The revenue from the top 10 clients is Rs.172.02 Cr with contributing to 72.85% of revenue for the FY2022. The major clients are located in Chennai, resulting to higher geographical risk, thereby depicting high customer and geographical concentration risk on the revenue profile.

Rating Sensitivities

Positive

- Significant and sustainable improvement in the scale of operations
- Sustainable improvement in Profitability, Leverage and Solvency position of the company.

Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

Material covenants

None

Liquidity: Adequate

SBAPPL has generated sufficient Net Cash accruals (NCA) at Rs.9.02 Cr. against repayment obligation for the FY2022 is Rs.2.16 Cr. The NCA for FY2022 to FY2024 will be expected to Rs.11.32 –15.43 Cr against Current portion of long term debt (CPLTD) of Rs.3.20 Cr – 2.46 Cr. The average Bank utilization of the CC limit stood at 79.32% for the latest 6 month ending September 2022. Unencumbered cash and bank balance of Rs.0.03 Cr as on March 31, 2022 and Rs.0.03 Cr for the March 31 2021

Outlook: Positive

Acuité believes that SBAPPL will maintain 'Positive' outlook over the medium term due to extensive experience of its promoters, healthy growth in sales, improving financial risk profile and efficient working capital management. The rating may be upgraded if the company registers expected or higher-than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Stable' in case of companies inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile or significant withdrawal of capital.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	234.21	150.79
PAT	Rs. Cr.	7.10	1.31
PAT Margin	(%)	3.03	0.87

Total Debt/Tangible Net Worth	Times	1.51	1.19
PBDIT/Interest	Times	6.09	3.14

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jun 2022	Proposed Long Term Loan	Long Term	0.95	ACUITE BB (Reaffirmed and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	2.25	ACUITE BB (Reaffirmed and Issuer not co-operating*)
	Standby Line of Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	3.02	ACUITE BB (Reaffirmed and Issuer not co-operating*)
	Cash Credit	Long Term	26.00	ACUITE BB (Reaffirmed and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE BB (Reaffirmed and Issuer not co-operating*)
17 Mar 2021	Term Loan	Long Term	2.25	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	26.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.02	ACUITE BB (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	0.95	ACUITE BB (Downgraded and Issuer not co-operating*)

	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed and Issuer not co-operating*)
18 Dec 2019	Cash Credit	Long Term	26.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	3.02	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	3.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.25	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.95	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	26.00	ACUITE BBB- (Reaffirmed and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed and Issuer not co-operating*)
		Long		ACUITE BBB- (Reaffirmed and Issuer not co-operating*)
11 Jul 2019	Term Loan	Term	2.25	
	Standby Line of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.95	ACUITE BBB- (Reaffirmed and Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	1.78	ACUITE BBB- (Reaffirmed and Issuer not co-operating*)
	Term Loan	Long Term	3.02	ACUITE BBB- (Reaffirmed 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	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BB+ Positive Upgraded Stable to Positive
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BB+ Positive Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.02	ACUITE BB+ Positive Upgraded Stable to Positive
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.73	ACUITE BB+ Positive Upgraded Stable to Positive
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.25	ACUITE BB+ Positive Upgraded Stable to Positive
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.00	ACUITE BB+ Positive Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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