



Press Release
Eswari Global Metal Industries Private Limited
May 28, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	66.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A2 Assigned
Bank Loan Ratings	12.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	118.50	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.78.50 Cr. bank facilities of Eswari Global Metal Industries Private Limited (EGMIPL). The outlook is '**Stable**'.

Acuite has assigned its short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.40.00 Cr. bank facilities of Eswari Global Metal Industries Private Limited (EGMIPL).

Rationale for reaffirmation :

The rating reaffirmation takes into account the long track record of operations and experienced management and reputed clientele of EGMIPL, improvement in the business risk profile backed by an improvement in the scale of operations, a sustained improved financial risk profile during FY2023. The company's revenue stood at Rs.534.50 Cr. in FY2023, implying a growth rate of ~13.01 percent against the previous year. Further, the company is estimated to achieve a revenue of Rs.661.29 Cr. in FY2024. The margins during FY2023 stood at 5.82 percent against 5.17 percent in FY2022. The financial risk profile of the company continues to be healthy with healthy debt protection metrics and gearing levels. The overall gearing of the company stood at 0.61 times as on March 31, 2023, as against 1.07 times as on March 31, 2022. The interest coverage ratio stood at 5.14 times in FY2023 against 5.22 times in FY2022. The ratings are further supported by the company's efficient working capital management with GCA days of 70 in FY2023.

The rating remains constrained by the modest operating margins and competitive industry.

About the Company

Eswari Global Metal Industries Private Limited established as a partnership firm in the year 1986, later, in the year 2013 it was reconstituted to private limited company. The company is engaged in manufacturing of lead alloys from lead battery scrap. Company currently has three units in Mangalore (Karnataka) with an annual battery and lead scarp processing capacity of 1,32,000 MTA per annum. The day to day operations of the company are managed by Mr. A Sabarinathan and Mr. Nithin.

Unsupported Rating

Not applicable

Acuité has considered the standalone business and financial risk profile of EGM IPL to arrive at the rating.

In the past rating review's, Acuite had considered the consolidated business and financial risk profile of Jayachandran Alloys Private Limited (JAPL), Eswari Global Metal Industries Private Limited (EGMIPL), Jayachandran Plastics Private Limited (JPPL), Jayachandran Industries Private Limited (JIPL) together referred as JC Group (JCG) to arrive at the rating. The de-consolidation is on account of non-cooperation by one of the group company (Jayachandran Alloys Private Limited) for existing SEBI regulations and Policy in respect of 'What Constitutes Non-Cooperation' of Acuité.

Key Rating Drivers

Strengths

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

The promoters started EGM IPL in 1986 with a lead smelting unit in Mangalore (Karnataka) and later in 2006 EGPL added a second unit in Mangalore (Karnataka). The directors of the company, namely Mr. Palaniappan Chandrasekaran, Mr. P Arumugam, Mr. Chandrasekaran Prasath, Mr. Hari Sudhan Arumugam and Mr. Sabarinathan Anbalagan has around three decades of experience in the trading of non-ferrous metals, manufacturing of lead alloys and battery manufacturing. The day-to-day operations of the company are managed by Mr. C Bharani Kumar, Mr. A. Sabarinathan, Mr. C. Pradeep and Mr. C. Prasath has around a decade of experience in the metals, plastic and battery industry. Acuité believes that the EGM IPL will continue to benefit from its established relationship with domestic and international reputed battery manufacturing clientele.

- **Improving scale of operations**

The company has reported a revenue growth of ~13.01 percent in FY2023 to Rs. 534.50 Cr. as against Rs. 472.95 Cr. in FY2022. The company generates its major revenues from the sale of lead ingots and lead bars. The improvement in the revenue in FY2023 is led by increased demand in the export market. The operating profit margins ranged between 5.10- 5.82 percent in the last two years ended FY2023. Further, it is estimated to achieve a revenue of Rs. 661.29 Cr. in FY2024, the operating profit margins are estimated to be in the range of 4.19-4.25 percent. Acuité believes that the scale of operations will continue to improve over the medium term backed by an increase in demand in the export market for lead & lead alloys.

- **Healthy financial risk profile**

The company's healthy financial risk profile is marked by a healthy net worth, gearing level and healthy debt protection metrics. The net worth of the company stood at Rs.69.52 Cr. and Rs.52.95 Cr. as on March 31, 2023, and 2022, respectively. The gearing of the company has improved in FY2023. It stood at 0.61 times as on March 31, 2023, against 1.07 times as on March 31, 2022. The improvement is on account of a decrease in long-term debt (prepayment of term loans). Further, it is estimated that the ratio will be improved in FY2024. Debt protection metrics: interest coverage ratio and debt service coverage ratio stood at 5.14 times and 3.71 times as on March 31, 2023, respectively, as against 5.22 times and 3.99 times as on March 31, 2022, respectively. TOL/TNW stood at 0.83 times and 1.49 times as on March 31, 2023, and 2022 respectively. The improvement in debt protection metrics is on account of a decrease in the debt portion. The debt to EBITDA ratio of the company stood at 1.35 times as on March 31, 2023, as against 2.30 times as on March 31, 2022. Acuité believes that the financial risk profile of the company

will remain healthy over the medium term.

- **Efficient working capital management**

EGMIPL's operations are comfortable in terms of working capital marked by Gross Current Asset (GCA) days of 70 days in FY2023 as against 82 days in FY2022 respectively. The working capital cycle remained in the said range on account of the limited credit period offered to the debtors and moderate levels of inventory maintained by the company. Inventory days stood at 39 days as on March 31, 2023, as against 42 days as on March 31, 2022. The debtor day stood at 17 days, as on March 31, 2023, as against 17 days as on March 31, 2022. Subsequently, the payable period stood at 6 days as on March 31, 2023, as against 14 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last ten months ended March-24-remained at ~30 percent for fund-based. Acuité believes that the company will continue to effectively manage its working capital cycle over the medium term.

Weaknesses

- **Modest operating margins and competitive industry**

The major raw material of the company is battery scrap. The prices of the same are fluctuating in nature, therefore the operating profit margins of the company are susceptible to raw material price fluctuations. Further, EGMIPL imports 80-85 percent of its raw materials from the Middle East and Asian countries. Currently, battery storage (raw material lead) is being replaced by lithium-ion batteries for electric vehicles. There is expected pressure on demand due to a moderation in the off the take by the auto sector. The operating margins are also dependent on prices of raw material (i.e. lead), which is highly volatile in nature. It is exposed to intense competition in the replacement battery market in the automobile segment from the market leaders. Acuité believes that established relations with suppliers will be crucial for the company for procuring its raw materials.

Rating Sensitivities

Significant Improvement in revenues and profitability while maintaining the capital structure
Elongation of working capital cycle

Liquidity Position: Adequate

The company's liquidity is adequate, marked by adequate cash accruals of Rs.19.82 Cr. in FY2023 as against its maturing long-term debt obligations of Rs. 0.89 Cr. for the same period. The current ratio stood at 1.89 times as on March 31, 2023, against 2.43 times in the previous year. Unencumbered cash and bank balances stood at Rs. 1.63 Cr. as on March 31, 2023. EGMIPL is estimated to generate an NCA in the range of Rs. 17- 25 Cr Cr. in FY2024- 2025, as against repayment obligations of Rs. 1.12-1.15 Cr. for the same period. The fund-based bank limits utilization of company is 30 percent for fund based for the past ten months ending March 2024. Acuité believes that the liquidity of the company will remain adequate on account of healthy cash accruals against repayment obligations and moderate utilization of working capital limits.

Outlook: Stable

Acuité believes that EGMIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management, healthy financial risk profile and efficient working capital operations. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management, deterioration in financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	534.50	472.95
PAT	Rs. Cr.	16.58	12.38
PAT Margin	(%)	3.10	2.62
Total Debt/Tangible Net Worth	Times	0.61	1.07
PBDIT/Interest	Times	5.14	5.22

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

Not applicable

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Feb 2023	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A2 (Reaffirmed)
	Packing Credit	Long Term	16.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB Stable (Reaffirmed)
08 Mar 2022	Bank Guarantee (BLR)	Short Term	0.05	ACUITE A2 (Reaffirmed)
	Bills Discounting	Short Term	25.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A2 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.95	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE BBB Stable Reaffirmed
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.12	ACUITE BBB Stable Reaffirmed
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Mar 2025	Simple	1.38	ACUITE BBB Stable Reaffirmed

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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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