

Press Release

Emark Energisers Private Limited

09 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 10.00 crore bank facilities of Emark Energisers Private Limited. The outlook is '**Stable**'.

Emark Energisers Private Limited (EEPL), established in 1990 as a partnership firm was engaged in the trading of batteries. In 2011, EEPL was incorporated as a private company and ventured into manufacturing of batteries. EEPL specialises in automotive, motorcycle batteries, tubular stationary batteries among others for UPS and Invertors. EEPL's manufacturing unit is located at Mahad, Maharashtra. The manufacturing capacity stands at 1100 batteries per day.

Key Rating Drivers

Strengths

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

EEPL is engaged in the manufacturing and development of batteries since 2011. The company was promoted by Mr. Mahesh Kumarbhai Shah and Mr. Asgerali Fakhruddin Fakhri. SMERA believes that the company will sustain its existing business profile backed by its long track record of operations and experienced management.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is average marked by net worth of Rs. 2.16 crore as on 31 March, 2017 as against Rs. 1.86 crore as on 31 March, 2016. The gearing stood high at 4.18 times as on 31 March, 2017 as against 3.91 times as on 31 March, 2016. The total debt of Rs. 9.01 crore outstanding as on 31 March, 2017 comprises Rs. 0.47 crore of unsecured loan from Directors, Rs.2.72 as unsecured loans from NBFC's, a long term debt of Rs.0.84 crore as term loan from bank and Rs. 4.98 crore as working capital facility from the bank. The ICR stood at 1.76 times in FY2017 as against 1.96 times in FY2016. The net cash accruals of the firm stood at Rs. 0.92 crore in FY2017 compared to Rs. 0.96 crore in FY2016. The NCA/TD stood at 0.10 times in FY2017 and 0.13 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets days of 173 in FY2017 as against 99 days in FY2016. This is on account of high inventory of 145 days and 79 days in FY2017 and FY2016 respectively. The debtor days stood at 21 days in FY2017 while the creditors stood at 79 days in FY2017 and 70 days in FY2016. The company maintains its inventory for a period of around four months.

- **Fluctuating profitability margins**

EEPL's margins are fluctuating. The EBITDA margins stood at 5.94 per cent in FY2017 compared to 5.90 per cent in FY2016 and 14.17 per cent in FY2015. This is on account of fluctuations in raw material (lead) cost which are highly volatile.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Emark Energisers Private Limited (EEPL) to arrive at the rating.

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues, or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.47	47.47	11.66
EBITDA	Rs. Cr.	1.81	2.80	1.65
PAT	Rs. Cr.	0.05	-0.11	-0.44
EBITDA Margin	(%)	5.94	5.90	14.17
PAT Margin	(%)	0.18	-0.23	-3.78
ROCE	(%)	13.45	8.75	7.37
Total Debt/Tangible Net Worth	Times	4.18	3.91	5.22
PBDIT/Interest	Times	1.76	1.96	1.65
Total Debt/PBDIT	Times	4.09	3.63	5.86
Gross Current Assets (Days)	Days	173	99	348

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not	Not	Not	0.02	SMERA BB- /

	Applicable	Applicable	Applicable		Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.98	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.40	SMERA A4+

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ABOUT SMERA

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