

Press Release

Emark Energisers Private Limited

June 07, 2019



Rating Reaffirmed

Total Instruments Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the above mentioned bank facilities of EMARK ENERGISERS PRIVATE LIMITED (EEPL). The outlook is '**Stable**'.

EEPL was established in 1990 as a partnership firm and was engaged in the trading of batteries. In the year 2011, after gaining an experience of more than two decades in this industry EEPL was reconstituted as a company with the business of manufacturing and development of Batteries. EEPL specializes in Automotive, Motorcycle Batteries, Tubular Stationary Batteries for UPS and Invertors and a range of other batteries for Solar Applications. EEPL's manufacturing unit is located in Mahad, Maharashtra with a manufacturing capacity of 1100 batteries per day.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of the EEPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experience Management and long track of operations**

EEPL was established a company involved in the business of manufacturing and developing batteries in the year 2011. Before that, the promoters, Mr. Mahesh Kumarbhai Shah and Mr. Asgerali Fakhruddin Fakhri were engaged in the business of trading batteries for 2 decades. Having long track of operations in the battery industry has helped the management in establishing business relations with reputed clients such as Amaron Batteries and Luminous Power Technologies. Acuité believes that experienced management and long track of operations will help the company in improving their business risk profile over the medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is average marked by net worth of Rs. 2.88 crore (Provisional) as on 31 March, 2019 as against Rs. 2.30 crore as on 31 March, 2018. The gearing stood high at 2.11 times as on 31 March, 2019 (Provisional) as against 5.21 times as on 31 March, 2018. The total debt of Rs. 6.07 crore outstanding as on 31 March, 2019 (Provisional) comprises Rs. 0.65 crore of unsecured loan from Directors and Rs. 4.93 crore as working capital facility from the bank. The ICR stood at 2.24 times in FY2019 (Provisional) as against 1.73 times in FY2018. The net cash accruals of the firm stood at Rs. 1.17 crore in FY2019 (Provisional) compared to Rs. 0.84 crore in FY2019. The NCA/TD stood at 0.19 times in FY2019 (Provisional) and 0.07 times in FY2018.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets days of 201 in FY2019 (Provisional) as against 279 days in FY2018. This is on account of high inventory of 145 days and 126 days in FY2019 (Provisional) and FY2018. The debtor days improved to 45 days as on March

31, 2019 (Provisional) from 118 days as on March 31, 2018. The creditors improved to 111 days as on March 31, 2019 (Provisional) and 116 days as on March 31, 2018

Liquidity Position:

EEPL has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.90 – 1.20 crore. The cash accruals of the company are estimated to remain around Rs.1.50 – 2.85 crore during 2019-21. EEPL's operations are working capital intensive as marked by gross current asset (GCA) days of 201 in FY2019 (Provisional) as against 279 days in FY2018. This has led to increased reliance on working capital borrowings, the working capital limits in the company remains utilized at 90 percent during the last 12 months period ended April 2019. The company maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2019 (Provisional). The current ratio of EEPL stands at 1.26 times as on March 31, 2019 (Provisional). EEPL is not likely to incur any major capex in the near to medium future. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term.

Outlook: Stable

Acuite believes that EEPL 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	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	35.71	32.71	30.47
EBITDA	Rs. Cr.	2.07	2.03	1.81
PAT	Rs. Cr.	0.58	0.14	0.05
EBITDA Margin	(%)	5.79	6.19	5.94
PAT Margin	(%)	1.62	0.44	0.18
ROCE	(%)	13.23	11.42	13.46
Total Debt/Tangible Net Worth	Times	2.11	5.21	4.17
PBDIT/Interest	Times	2.24	1.73	1.76
Total Debt/PBDIT	Times	2.88	5.64	4.09
Gross Current Assets (Days)	Days	201	279	173

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

Not Applicable

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-40.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
09-Apr-2018	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.02	ACUITE BB-/Stable Assigned
	Bills Discounting	Short Term	0.60	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	2.98	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Long Term	1.40	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.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head-Corporate and Infrastructure Sector Ratings Tel:022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Viren Rangparia Analyst - Rating Operations Tel: 022-49294053 viren.rangparia@acuite.ratings.in	

About Acuité Ratings & Research:

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