

Press Release

Emark Energisers Private Limited

June 29, 2020

Rating Reaffirmed



Total Bank Facilities 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

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

EPPL 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 800 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

- Established track record of operations and experienced promoters**

EPPL 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. Acuite 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 high gearing (debt to equity ratio), high total outside liabilities to total net worth (TOL/TNW), and moderate debt protections metrics. Gearing stood at 2.57 times as on 31 March, 2020 (provisional) as against 2.43 times as on 31 March, 2019. TOL/TNW is high at 4.27 times as on 31 March, 2020 (provisional) as against 3.15 times as on 31 March, 2019. Net worth of the company is moderate at Rs.3.62 crore as on 31 March, 2020 (Provisional) as against Rs.2.52 crore as on 31 March, 2019. Of the total debt of 9.33 crore as on 31 March, 2020, unsecured loans stood at Rs.4.33 crore and short-term debt of Rs.5 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 1.59 times and 0.08 times respectively in FY2020 (provisional). Acuite believes that the financial risk profile is expected to remain average on account of high gearing and moderate debt protection metrics for the medium term.

- Working capital intensive operations**

EEPL has intensive working capital cycle as evident by Gross Current Assets (GCA) of 242 days as on March 31, 2020 (Provisional) as against 172 days as on March 31, 2019. The Company has an inventory policy of 3-4

months and allows credit period to customers for about 60 days. The debtor's days were recorded at 67 days for FY2020 as against 40 days in FY2019. The inventory days were recorded at 166 days in FY2020 against 125 days in FY2019. Due to high customer realization cycle the working capital limits are utilized fully through FY2020.

Rating Sensitivity

- Deterioration in financial risk profile and liquidity
- Stretch in working capital cycle

Material Covenants

None

Liquidity Position: Stretched

EEPL has stretched liquidity marked by high GCA of 242 days as on March 31, 2020 (Provisional) as against 172 days as on March 31, 2019. The Company has an inventory policy of 3-4 months and allows credit period to customers for about 60 days. The debtor's days were recorded at 67 days for FY2020 as against 40 days in FY2019. The inventory days were recorded at 166 days in FY2020 against 125 days in FY2019. Due to high customer realization cycle the working capital limits are utilized fully through FY2020.

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 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	38.08	32.71
PAT	Rs. Cr.	0.22	0.14
PAT Margin	(%)	0.57	0.44
Total Debt/Tangible Net Worth	Times	2.43	5.21
PBDIT/Interest	Times	1.92	1.73

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Jun-2019	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.40	ACUITE A4+ (Reaffirmed)

	Proposed Bank Facility	Long Term	3.60	ACUITE BB-/Stable (Reaffirmed)
9-Apr-2018	Term Loan	Long Term	0.02	ACUITE BB- / Stable (Assigned)
	Cash Credit	Long Term	5.00	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	Short 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)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB-/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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