

Press Release

Livguard Batteries Private Limited

D-U-N-S® Number: 67-548-6637

July 31, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 280.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 280.00 crore bank facilities of LIVGUARD BATTERIES PRIVATE LIMITED (LBPL). The outlook is '**Stable**'.

Incorporated in 2012, LBPL is a Delhi-based company promoted by Mr. Navneet Kapoor and Mr. Rakesh Malhotra. The company is engaged in manufacturing of batteries for application in automotive, inverters and e-rickshaw. LBPL also manufactures power electronic products like inverters and voltage stabilizers among others for domestic market. The products manufactured by the company are sold under the brand name 'Livguard' and 'Livfast'. The company has four manufacturing units, three located in Himachal Pradesh and one in Haryana.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Livguard Batteries Private Limited (LBPL), Livguard Energy Technologies Private Limited (LETPL) and Livfast Batteries Private Limited (LFPL), collectively referred to as 'Livguard Group'. The consolidation is on account of common management, same value chain with business line synergies within the group. Extent of consolidation: full.

Key Rating Drivers

Strengths

• Experienced management and leading battery manufacturing operations

Livguard Group commenced the battery business in 2014, whereas it started the commercial production in 2015. LBPL started manufacturing operations with automotive batteries and added other kind of batteries such as e-rickshaw batteries, inverter batteries and solar batteries during 2016-18. The promoters, Mr. Navneet Kapoor and Mr. Rakesh Malhotra have an established track record of manufacturing lead acid batteries for more than two decades through their previous ventures 'Luminous Power Technologies Private Limited' which was completely sold to Schneider Electric in the beginning of 2017. The promoters launched the brands 'Livguard' and 'Livfast' for automotive batteries and later expanded the same brands for inverter, inverter batteries, solar batteries and other products.

Currently, the day to day operations of the group are managed by strong second line of management. Livguard group benefits from its established presence in the market, backed by network of more than 600 distributors supplying to almost 20,000 dealers across the country. The extensive experience of the promoters is also reflected through the healthy ramp up of operations during the period 2015-19. Further in FY2019, the company had initiated manufacturing of Inverters and Inverter batteries. Acuite believes that LBPL will continue to benefit owing to the extensive experience and establishing brand of the promoters in the battery industry.

• Improving financial risk profile

Livguard Group has healthy net worth with low gearing and moderate debt protection metrics. The net worth stood at Rs.312.06 crore as on March 31, 2019 (Provisional), which has witnessed improvement from Rs.20.42 crore as on March 31, 2018. The group has raised private equity of around Rs. 220 crore out of which Rs.170 crore has been infused by the investment arm of Chrys Capital and remaining by the promoters. This has resulted in improved gearing to 0.53 times as on March, 2019 (Provisional) from 7.46 times as on March, 2018. The total outside liabilities to tangible net worth ratio also stood at around 1.47 times as on March 31, 2019 (Provisional).

Livguard group's total debt of Rs.164.51 crore as on March 31, 2019 (Rs.152.39 crore as on March 31, 2018) includes term loans (current and non-current portion) of Rs.66.54 crore and working capital borrowings of Rs.97.96 crore. The reason for increase in working capital was due to business growth over the last year. There is also growth in operating income by ~50% in FY2019 (Provisional) as against FY2018. Acuite expects Livguard group's gearing to remain in the range of 0.53-1.00 times over the medium. The interest coverage ratio (ICR) of the group stood at around 1.76 times as on 31 March, 2019 (Provisional) and the net cash accruals to total debt stood at 0.09 times as on March 31, 2019 (Provisional). The debt service coverage ratio (DSCR) stood at 1.42 times for FY2019 (Provisional). Acuite believes that Livguard group will maintain a moderate financial risk profile on the back of gradual growth in revenue and comfortable net worth over the medium term.

Weaknesses

• Modest operating margins and intense competition in some battery segments:

Livguard group has limited track record of around five years. Thus, the operating capacity is not optimally utilised yet. Therefore, the fixed costs are yet to be fully absorbed. Operating margin is susceptible to fluctuations in prices of inputs, mainly Lead, which accounts for more than 70% of total raw material cost. The operating margin stood at 2.17 percent in FY2019 (Provisional) as against 0.44 percent in FY2018. Further, the net margins stood negative at 0.03 percent in FY2019 (Provisional) as against negative 1.99 percent in FY2018. This is mainly due to advertising cost spend on brand building impacting operating margins of the group. 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 automobile segment from the market leaders.

Liquidity profiles

Livguard Group has adequate liquidity marked by net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.14.85 crore during FY2019 (Provisional), while its maturing debt obligations were Rs.4.75 crore for FY2018. The cash accruals of the group are estimated to remain high during 2020-22 due to optimally utilized capacity for better absorption of fixed costs against its repayment obligations. The group has moderate reliance on working capital borrowings marked by the cash credit limit utilization of around 75 percent. The current ratio of the group stood at 1.38 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuite believes that Livguard group will maintain a stable business risk profile over the medium term backed by its experienced management, established presence of 'Livguard' brand and robust distribution network. The outlook may be revised to 'Positive' in case of substantial and sustained improvement in revenues while improving its operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle, thereby impacting its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1,431.94	957.23	768.26
EBITDA	Rs. Cr.	31.02	4.18	(5.97)
PAT	Rs. Cr.	(0.37)	(19.09)	(30.69)
EBITDA Margin	(%)	2.17	0.44	(0.78)
PAT Margin	(%)	(0.03)	(1.99)	(3.99)
ROCE	(%)	5.89	(6.35)	(69.95)
Total Debt/Tangible Net Worth	Times	0.53	7.46	(1.72)
PBDIT/Interest	Times	1.76	0.52	(0.61)
Total Debt/PBDIT	Times	4.79	23.98	(23.03)
Gross Current Assets (Days)	Days	111	90	74

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-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
*Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB / Stable
***Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.20	ACUITE BBB / Stable
**Letter of credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3+
^Letter of credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3+
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.80	ACUITE BBB / Stable

*Cash credit includes sublimit of WCDL and Export packing credit of Rs.25 cr.

**Letter of Credit includes sublimit of SBLC and BG of Rs.25 cr.

***Cash credit is fully interchangeable with WCDL and Letter of credit.

^ Letter of Credit includes sublimit of Cash Credit, BG and WCDL of Rs.25 cr.

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