

Press Release

Livguard Batteries Private Limited

December 27, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	160.00	ACUITE A- Negative Assigned	-
Bank Loan Ratings	284.69	ACUITE A- Negative Reaffirmed	-
Bank Loan Ratings	340.31	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	785.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 625.00 crore bank facilities of Livguard Batteries Private Limited (LBPL). The outlook is '**Negative**'.

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 160 crore bank facilities of Livguard Batteries Private Limited (LBPL). The outlook is '**Negative**'.

Rationale for the rating

The rating has been reaffirmed taking cognizance of support of experienced management of the group, established market position of "Livguard" and "Livfast" brand and improvement in performance of the group in current year. Going forward the improvement in terms of revenue, profitability and the impact on debt protection metrics will remain key rating sensitivities for the group.

About Company

Incorporated in 2012, LBPL is a Gurugram-based company promoted by Mr. Rakesh Malhotra and Mr. Navneet Kapoor. The operations were commenced in the year 2015. The company is engaged in manufacturing of batteries for application in automotive, inverters and erickshaw. LBPL also manufactures power electronic products like inverters and voltage stabilizers among others for the domestic market. The company has four manufacturing units, three located in Himachal Pradesh and one in Haryana. LBPL is a part of Livguard Group which has dedicated distribution companies for further distribution of the products manufactured by LBPL. LBPL is the OEM for Liv guard Energy Technologies Private Limited (LETPL) incorporated in 2014 and Livfast Batteries Private Limited (LFBPL) incorporated in 2018. These two companies are having pan India and operating with 600+ distributors each in both the companies, with as dealer base of 20,000 each in both the companies. The group is selling its products under the brand name of "Livguard" and "Livfast".

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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.

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 kinds of batteries such as e-rickshaw batteries, inverter batteries and solar batteries during the period 2016 to 2020. The promoters, Mr. Rakesh Malhotra and Mr. Navneet Kapoor have an established track record of manufacturing lead acid batteries for more than one and half decade through their previous venture 'Luminous Power Technologies Private Limited' which was completely sold to Schneider Electric in the year 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. LBPL is the manufacturing arm for LFBPL and LETPL, while the two companies are engaged in the distribution of the products across the country. Currently, the day to day operations of the group is managed by a 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 more than 10,000+ dealers across the country. The extensive experience of the promoters is also reflected through the healthy ramp-up of operations. The operating income of the group has reached Rs. 2663.74 Cr in FY 2022 (Audited) despite subdued demand in the first quarter of FY 2022 due to second wave of covid. Acuité believes that the group will continue to benefit owing to the extensive experience of the promoters and established brand name in the battery industry.

Moderate financial risk profile

Financial risk profile of the group has moderated in FY 2022 as can be seen from moderate net worth and average debt protection metrics. Tangible net worth stood at Rs. 450.58 Cr as on 31 st March 2022 as against Rs. 448.35 Cr for FY 2021. Total debt has increased and stood at Rs. 428.64 Cr in FY 2022 as against Rs. 351.86 Cr in FY 2021. Total debt of Rs. 428.64 Cr in FY 2022 consists of Rs. 92.46 Cr of long term debt, Rs. 302.95 Cr of working capital borrowings and Rs. 33.23 Cr of CPLTD. Consequently, Debt to Equity ratio has increased from 0.78 times in FY 2021 to 0.95 times in FY 2022. Interest Coverage Ratio has declined from 6.95 times in FY 2021 to 2.39 times in FY 2022 due to decline in profitability levels. Similarly, DSCR has moderated from 4.40 times in FY 2021 to 1.22 times in FY 2022 due increase in CPLTD portion. TOL/TNW has moderated from 2.71 times in FY 2021 to 2.95 times in FY 2022 while Debt-EBITDA has moderated from 1.59 times in FY 2021 to 4.71 times in FY 2022.

Weaknesses

Working capital intensive nature of operations

The group has working capital intensive nature of operations and has observed stretch as compared to previous year as evident from gross current assets (GCA) of 179 days for FY2022 as against 170 days for FY 2021. The team has observed deterioration when compared to previous year's numbers and the deterioration is majorly on account of stretched inventory period. Debtors' days stood at 79 days for FY2022 as against 100 days in the previous year, while inventory days stood at 85 days in FY 2022 as against 52 days for FY2021. Creditors' payment period also increased to 123 days as on 31st March 2022. Higher sales value during

last quarter with an average debtors' realisation period of 45 days resulted in high amount of debtors (Rs. 566.41 crore) as on March 31, 2022. Demand for inverter and batteries is seasonal and peaks during summer when power cuts are frequent. Thus, sales of inverters and batteries bunch up during the last quarter of the fiscal (ending in March) and the first quarter of the next fiscal (ending June), and remains comparatively leaner for the rest of the year. Further, current ratio of the group stood at 1.17 times for FY2022. Average bank Limit utilization stood at 69.73% for the period between April 2021 and July 2022.

Susceptibility to fluctuations in raw material cost and Intense competition in some battery segments

Operating margin is susceptible to fluctuations in prices of inputs, mainly Lead, which accounts for more than 70 percent of total raw material cost. The operating margins are also dependent on prices of raw material (i.e. lead) which is highly volatile in nature. The increase in prices of 'Lead' led to moderation in operating margins of the group in FY 2022. It is exposed to intense competition in the replacement battery market in the automobile segment from the market leaders.

Rating Sensitivities

- Improvement in scale of operations.
- Improvement in Profitability margins.
- Substantial improvement in financial risk profile.
- Debt-Ebitda to be lower than 2.5 times in FY 2023.

Material Covenants

None.

Liquidity Position

Adequate

Groups liquidity position is adequate. In FY 2022 group generated net cash accruals of Rs. 36.33 Cr against maturing debt obligation of Rs. 22.84 Cr. Going forward group is expected to generate NCA of Rs. 102.54 Cr and Rs. 116.36 Cr against maturing debt obligation of Rs. 33.23 Cr and Rs. 31.53 Cr in FY 2023-24 respectively. Out of total investments of Rs. 201.06 Cr in fixed deposits, Rs. 40 Cr is unencumbered while rest of the amount is lien marked as margin money. In FY 2022 cash and bank position stood at Rs. 34.92 Cr. Group has total fund based working capital limits of Rs. 375 Cr wherein average utilization stood at 69.73% for the period between April 2021 and July 2022 giving the group buffer of Rs. 112.50 Cr for working capital support.

Outlook: Negative

Acuité believes that Livguard group will continue to benefit over the medium term due to its experienced management and established track record however the financial risk profile will continue to be at an average level. The outlook may be revised to 'Stable' in case the group registers higher-than expected growth in revenues, profitability and the Debt-Ebitda position of the company remains below 2.5 times. The rating may be downgraded if the group's financial risk profile does not improve in the current fiscal on account of lower operating revenue and profitability.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2663.74	2570.98
PAT	Rs. Cr.	8.46	142.45
PAT Margin	(%)	0.32	5.54
Total Debt/Tangible Net Worth	Times	0.95	0.78
PBDIT/Interest	Times	2.39	6.95

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

None

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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 Nov 2022	Letter of Credit	Short Term	60.00	ACUITE A2+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	28.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	25.44	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	90.00	ACUITE A2+ (Reaffirmed)
	Working Capital Term Loan	Long Term	8.00	ACUITE A- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	12.06	ACUITE A- Negative (Reaffirmed)
	Proposed Bank Facility	Short Term	39.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Negative (Reaffirmed)

	Letter of Credit	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Working Capital Term Loan	Long Term	12.50	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A2+ (Assigned)
	Working Capital Term Loan	Long Term	8.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE A- Stable (Reaffirmed)
		Long		
	Cash Credit	Term	20.00	ACUITE A- Stable (Reaffirmed)
31 Aug 2021	Letter of Credit	Short Term	90.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	4.87	ACUITE A- (Withdrawn)
	Working Capital Term Loan	Long Term	12.50	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	50.00	ACUITE A- (Withdrawn)
	Term Loan	Long Term	28.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	12.06	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Withdrawn)
	Term Loan	Long Term	25.44	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	39.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	90.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Working Capital Term Loan	Long Term	33.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	50.00	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	13.00	ACUITE A- Stable (Assigned)

06 Aug 2021	Proposed Bank Facility	Short Term	46.16	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Cash Credit	Long Term	35.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Term Loan	Long Term	4.87	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Term Loan	Long Term	28.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Cash Credit	Long Term	40.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
26 Feb 2021	Cash Credit	Long Term	25.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Term Loan	Long Term	14.97	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Proposed Working Capital Demand Loan	Long Term	15.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Positive)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Positive (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Positive (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Positive (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE BBB+ Positive (Reaffirmed)
	Proposed Bank Facility	Long Term	0.16	ACUITE BBB+ Positive (Reaffirmed)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BBB+ Positive (Reaffirmed)
	Term Loan	Long Term	4.87	ACUITE BBB+ Positive (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	14.97	ACUITE BBB+ Positive (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Positive (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB+ Positive (Reaffirmed)
	Term Loan	Long Term	4.87	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

07 Sep
2020

Letter of Credit	Short Term	50.00	ACUITE A2 (Upgraded from ACUITE A3+)
Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Working Capital Demand Loan	Long Term	30.00	ACUITE BBB+ Stable (Assigned)
Proposed Bank Facility	Long Term	0.16	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Term Loan	Long Term	14.97	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Letter of Credit	Short Term	50.00	ACUITE A2 (Upgraded from ACUITE A3+)
Term Loan	Long Term	35.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Cash Credit	Long Term	35.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Letter of Credit	Short Term	40.00	ACUITE A2 (Upgraded from ACUITE A3+)
Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
Cash Credit	Long	25.00	ACUITE BBB+ Stable (Upgraded from

31 Jul 2019				ACUITE BBB Stable)
	Term Loan	Long Term	40.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	8.80	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	24.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	7.20	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A- Negative Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Negative Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Negative Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A- Negative Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A- Negative Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A- Negative Assigned
HSBC	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Negative Assigned
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Negative Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A- Negative Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE A2+ Reaffirmed
	Not	Letter of	Not	Not	Not			ACUITE

RBL Bank	Applicable	Credit	Applicable	Applicable	Applicable	Simple	40.00	A2+ Reaffirmed
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Reaffirmed
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.31	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.13	ACUITE A- Negative Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	41.40	ACUITE A- Negative Reaffirmed
Federal Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	14.99	ACUITE A- Negative Reaffirmed
IDFC First Bank Limited	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	6.50	ACUITE A- Negative Reaffirmed
RBL Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	10.67	ACUITE A- Negative Reaffirmed

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