

Press Release

Eastman Auto and Power Limited

March 13, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	118.63	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	283.47	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	412.10	-	-

Rating Rationale

Acuite has reaffirmed the long term rating at '**ACUITE A+ (read as ACUITE A plus)**' and short term rating at '**ACUITE A1+ (read as ACUITE A one plus)**' on the Rs. 293.47 Cr bank facilities of 'Eastman Auto and Power Limited (EAPL)'. The outlook is '**Stable**'.

Acuite has also assigned the long term rating of '**ACUITE A+ (read as ACUITE A plus)**' on the Rs. 118.63 Cr bank facilities of 'Eastman Auto and Power Limited (EAPL)'. The outlook is '**Stable**'.

Rationale for reaffirmation

Rating has been reaffirmed on account of growth in operational performance, efficient working capital management, comfortable financial risk profile and liquidity of the company. Company has shown growth in scale of operations registering increment of 60% in total operating income in FY 2022. Since company is in process of increasing capacity in a phase wise manner, the growth in revenues will sustain in the near term. However, the debt funded capex may lead to moderation of financial risk profile, hence profitability and working capital management will remain key rating monitorables going forward.

About the Company

Eastman Auto and Power Limited (EAPL) is Gurgaon based company and was incorporated in 2000. The company was initially involved in trading activity till 2008. The company leased out plant in Nalagarh district, Himachal Pradesh for manufacturing of inverter Battery. In 2018, the company set up another plant (own unit) in Baddi district, Himachal Pradesh for the same. The installed capacity remained at 7,20,000 units and 12,00,000 units respectively in Nalagarh and Baddi plant respectively during FY21. The same increased to 12,60,000 units and 14,40,000 units in FY22. The company has been engaged in increase in installed capacity in order to cater growing demand. In addition to this, the company also undertakes contract manufacturing for reputed client such as Fujiyama Systems Private Limited, Lucas Indian Service Limited and Amara Raja Batteries. EAPL also sell its batteries under brand name; 'Addo' and 'Eastman'. Currently the business model of the company has evolved wherein the share of company's own brand in the sales mix has increased and company has

increased its focus on B2C segment for 'Addo' and 'Eastman'.

Analytical Approach

The team has considered the standalone business and financial performance of Eastman Auto and Power Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The company was initially incorporated in 2000 by Mr. Jagdish Rai Singhal, as a subsidiary of Eastman group. During the time the promoters were engaged in industrial manufacturing and automobile industry. The day to day operation of the company are currently managed by Mr. Shekhar Singhal (Managing Director) S/o Mr. Jagdish Rai Singhal. The management is ably supported by qualified and experienced professionals that has resulted in maintaining strong relationship with their clients such as Fujiyama Power Systems Private Limited, Amara Raja Batteries and Lucas Indian Service Limited to name a few. The other directors include Mr. Vineet Jain (Independent director) who is also associated with the other group companies as an independent director. Ms. Astha Bansal (Whole time director), Mr. Sanjeev Gupta (Independent director) and Mr. Surajit Sur (Whole time director). The promoters are supported by team of well qualified and experienced professionals. Acuite believes that the company would continue to benefit from experience of the Directors and long track record of the company.

Improving operational metrics amid decline in profitability

Company reported total operating income of Rs. 1,560.02 Cr in FY 2022 (Audited) as against Rs. 974.80 Cr in FY 2021 (Audited). Company has reported growth of 60% over FY 2021. The growth is driven by increase in sales volume of E-rickshaw batteries in FY 2022. Total volume increased from 12,51,742 units in FY 2021 to 20,99,456 units in FY 2022. Out of this e-rickshaw batteries volume increased from 4,94,585 units in FY 2021 to 12,17,208 units in FY 2022 marking growth of 146% in terms of volume in FY 2022 over FY 2021. Company's profitability declined in FY 2022. EBITDA margin declined from 6.05% in FY 2021 to 4.98% in FY 2022. The decline is majorly on account of increase in raw material prices, employees related expenses and rebates and discounts offered to dealers as part of marketing strategy. PAT margin has improved to 1.89% in FY 2022 as against 1.63% in FY 2021.

Comfortable financial risk profile

Company's financial risk profile is healthy marked by comfortable tangible net worth and strong debt protection metrics. The capital structure as represented by debt-equity ratio continues to remain below unity as on March 31, 2022. The tangible net worth of the company improved to Rs. 200.67 Cr in FY 2022 as against Rs. 177.02 Cr in FY 2021. Total debt of Rs. 146.47 Cr in FY 2022 consists of Rs. 66.08 Cr of long term debt, Rs. 51.81 Cr working capital borrowings and Rs. 28.58 Cr of CPLTD. Interest coverage has improved and stood strong at 10.13 times in FY 2022 as against 9.39 times in FY 2021. DSCR has moderated to 2.38 times in FY 2022 as against 2.65 times in FY 2021. TOL/TNW has moderated to 2.51 times in FY 2022 from 2.18 times in FY 2021. Debt-EBITDA has moderated from 1.62 times in FY 2021 to 1.85 times in FY 2022. Going forward since company is executing debt funded capex, team expects slight moderation in financial risk profile of the company however it will remain healthy in the medium term.

Weaknesses

Debt Funded Capex

Company is executing debt funded capex for capacity expansion of Rs. 106.66 Cr which has started in FY 2023 (Current Fiscal) and the entire capex will get capitalized and become operational by FY 2024. Under this capex company will expand capacity from 27,00,000 units per annum to 42,00,000 per annum in FY 2023 and further enhance the capacity to 48,00,000 units per annum in FY 2024. Total capex in FY 2023 will be Rs. 125 Cr out of which Rs. 106.66 Cr will be for capacity expansion and rest Rs. 18.34 Cr will be for maintenance/replacement capex. In FY 2024 company will do capex of Rs. 20.00 Cr for replacement/maintenance/ R&D capex.

The capacity expansion is debt funded because of which the increment in debt portion will lead to moderation of financial risk profile. However, the impact of same is expected to be mitigated to some extent by accretion of profit to reserves.

Susceptibility to changes in regulations and customer preference

The battery industry remains susceptible to changes in government regulations regarding the content raw material used. Further, the industry is susceptible to changes in consumer preferences. Hence, the operational performance of the company is expected to be impacted in event of any of above event.

Rating Sensitivities

- Increase in scale of operations with improvement in profitability margins.
- Any elongation in working capital cycle resulting in liquidity stretch.

Material covenants

None.

Liquidity Position Adequate

Company has adequate liquidity position. In FY 2022 company has generated net cash accrual of Rs. 59.50 Cr against maturing debt obligation of Rs. 20.47 Cr. Going forward company is expected to generate net cash accrual of Rs. 99.95 Cr and Rs. 142.65 Cr in FY 2023 and 2024 respectively against maturing debt obligation of Rs. 28.58 Cr and Rs. 54.47 Cr in each respective year. Company's unencumbered cash and bank position stood at Rs. 51.98 Cr in FY 2022 while current ratio stood at 1.14 times.

Outlook: Stable

Acuité believes that the outlook on EAPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant cost or time overrun in its proposed capex leading to deterioration of its revenue stream.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1560.02	974.80
PAT	Rs. Cr.	29.45	15.85
PAT Margin	(%)	1.89	1.63
Total Debt/Tangible Net Worth	Times	0.73	0.55
PBDIT/Interest	Times	10.13	9.39

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

None

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
30 Mar 2022	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	6.36	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Bank Guarantee	Short Term	12.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Term Loan	Long Term	13.79	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Working Capital Demand Loan	Long Term	6.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Assigned)
	Proposed Bank Facility	Long Term	1.79	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	25.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Packing Credit	Long Term	15.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	4.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Working Capital Demand Loan	Long Term	9.90	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Working Capital Demand Loan	Long Term	9.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	6.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	22.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Packing Credit	Long Term	5.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Working Capital Demand Loan	Long Term	10.00	ACUITE A+ (Withdrawn)
	Working Capital Demand Loan	Long Term	3.70	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Proposed Bank Facility	Long Term	38.21	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	2.98	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	10.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)

	Term Loan	Long Term	27.74	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A1+ (Withdrawn)
	Working Capital Demand Loan	Long Term	9.90	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
		Long		
27 Aug 2021	Packing Credit	Term	15.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	27.74	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.70	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	6.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.79	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.80	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	3.79	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	13.86	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A Stable (Reaffirmed)
15 Feb 2021	Cash Credit	Long Term	4.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Packing Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	34.67	ACUITE A Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.52	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	15.36	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	5.23	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.80	ACUITE A1 (Reaffirmed)

	Working Capital Demand Loan	Long Term	6.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Packing Credit	Long Term	15.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	34.67	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	15.36	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Bank Facility	Long Term	47.17	ACUITE A Stable (Upgraded from ACUITE A- Stable)
05 Feb 2021	Bank Guarantee	Short Term	13.80	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	5.23	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Working Capital Demand Loan	Long Term	6.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	4.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	7.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	3.43	ACUITE A1 (Withdrawn)
	Bills Discounting	Short Term	40.00	ACUITE A1 (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1+ Reaffirmed
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A+ Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A+ Stable Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A+ Stable Assigned
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.40	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.98	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	41.53	ACUITE A+ Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.63	ACUITE A+ Stable Assigned
		Working						ACUITE

HDFC Bank Ltd	Not Applicable	Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	9.90	A+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	1.66	ACUITE A+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 shreyansh.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.