

RATING RATIONALE

ACTION BATTERIES PRIVATE LIMITED

Brickwork Ratings reaffirmed long term ratings and short term ratings for the bank loan Facilities of ₹ 20.10 Crores of Action Batteries Private Limited (ABPL).

Particulars :

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (March, 2019)	Present Rating
<u>Fund based</u>					
Cash Credit Limit	13.54	12.04	Long Term	BWR BB Stable	BWR BB Stable
Term Loan (O/S)	0.16	0.06		BWR Upgraded	BWR Reaffirmed
<u>Non Fund Based</u>					
ILC/FLG	8.00	8.00	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
ILG/FLG	(1.00)	(1.00)			
Total	21.70	20.10	INR Twenty Crores Ten Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating and short term ratings of BWR BB Stable and BWR A4 of Action Batteries Private Limited (ABPL).

The ratings take into account the long experience of the promoters in the battery manufacturing business, and moderate financial risk profile. However the rating is constrained by elongated conversion cycle and intense competition from other competitors.

BWR believes that the business risk profile of ABPL will be maintained over the medium term. The rating outlook may be revised to positive if there is a significant improvement in company profitability margins, along with their revenues. The rating outlook may be revised to 'Negative' if there is any deterioration in the revenues of the company, and financial risk profile of the company.



KEY RATING DRIVERS

Credit Strengths:

1. **Extensive Experience of Promoters in battery manufacturing business:** The promoter of the company has rich experience of more than 15 years in trading and manufacturing business that helps the company to maintain a better relationship with the customers and suppliers as well. The company also has a long track record of more than 25 years in the market.
2. **Moderate Financial Risk Profile :** The company has moderate financial risk profile with low gearing level (TD/TNW) of 1.45 times along with net profitability margins of 1.43% , Operating Profitability Margins of 5.45%, current ratio of 1.41 times and ISCR of 1.82 in FY19 (Audited).

Credit Risks:

1. **Elongated Conversion Cycle :** The company has elongated conversion cycle of 170 days due to high inventory of 185 days and days payable of 103 days in FY19 (Audited).
2. **Intense Competition from Other Competitors :** The industry is fragmented with low value addition and intense competition from unorganised players as well as large integrated manufacturers. However by being in the industry for more than 20 years, the company has developed healthy long term relationships with suppliers and customers..

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, improvement in revenues, profitability Margins & improvement in conversion cycle will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to make significant improvement in their revenues, profitability margins, and able to maintain their gearing level.

Negative : The rating will be downgraded if there is any deterioration in the financial Risk Profile of the Company including revenue.



LIQUIDITY POSITION : Stretched

The company has associate concern with the name of Kaycee Batteries & Alloys Private Limited and has made purchases of batteries of Rs 7.22 crores in FY19 (Audited).

The company has cash & bank balances of Rs 1.31 Cr in FY19 (Audited). Current ratio was 1.41 times in FY19 (Audited). Average working capital utilization for the last Six months period is 97% of limits. The company has long term borrowings consisting of unsecured loans from directors and relatives of Rs 3.75 crores, term loan from bank of Rs 0.08 crores and car loans of Rs 0.26 crores in FY19 (Audited). The company ISCR at 1.82 times and Debt Service Coverage Ratio of 1.65 times as on March 31, 2019 (Audited). The company has a conversion cycle of 170 days due to days payable of 103 days and days inventory of 185 days in FY19 (Audited).

About the Company

Action Batteries Private Limited was incorporated in 1994 as a proprietorship firm and company later changed to Private Limited company in 2008. The company has its unit located at Focal Point, Jalandhar The company is engaged in trading and manufacturing of batteries for the commercial market. The company supplies high quality batteries under the Brand Name ""Action & Kaycee"" to the replacement market and Various Government STOs. The Company is currently managed by Mr Kewal Chaudhary and Other directors of the company. The company also exports the automotive batteries to Gulf and African Countries.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	59.77	57.16
EBITDA	₹ Cr	3.26	3.57
PAT	₹ Cr	0.86	0.80
Tangible Net worth	₹ Cr	12.74	11.89
TD:TNW	Times	1.45	1.50
Current Ratio	Times	1.41	1.42

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

Rating History for the last three years (Including Withdrawal and Suspension)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1.	Fund Based Cash Credit Limit Term Loan (O/S)	Long Term	12.04 0.06	BWR BB Stable Reaffirmed	BWR BB Stable Upgrade	NA	BWR BB- Stable Reaffirmed
2.	Non Fund Based ILC/FLC ILG/FLG	Short Term	8.00 (1.00)	BWR A4 Reaffirmed	BWR A4 Reaffirmed	NA	BWR A4 Reaffirmed
	Total		20.10	Twenty Crores Ten Lakhs ₹ Only			

* BWR Initially rated Action Batteries Private Limited on 25.07.2016, amounting of Rs 20.00 crores assigning the rating of BWR BB- Stable and short term rating of BWR A4.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

[Manufacturing Companies](#)

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ACTION BATTERIES PRIVATE LIMITED

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	<u>Fund Based</u> Cash Credit Limit Term Loan (O/S)	12.04 0.06	12.10
2.	Punjab National Bank	<u>Non Fund Based</u> ILC/FLC ILG/FLG	8.00 (1.00)	8.00
TOTAL : INR Twenty Crores Ten Lakhs Only				20.10

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