

Brickwork Ratings upgrade the long term ratings and reaffirmed Short Term Rating for the Bank Loan Facilities of ₹ 21.70 Crores of Action Batteries Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2017)	Present
Fund Based Cash Credit Term Loan (O.S)	12.90 0.21	13.54** 0.16	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Upgraded
Non-fund Based ILC/FLC ILG/FLG	4.00	8.00 (1.00)#	Short Term	BWR A4 (Pronounced as BWR AFour)	BWR A4 (Pronounced as BWR Single A Four) Reaffirmed
Total	17.11	21.70	INR Twenty One Crores Seventy Lakhs Only		

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

** Cash credit limit includes adhoc limit of Rs 1.50 crores expiring on 10.02.2019

Non Fund Based Ceiling of Rs 8.00 Crores

Ratings : Long Term Rating upgraded to BB and Short Term Rating Reaffirmed at A4 for the bank loan facilities of Action Batteries Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, Projected financials upto FY20 and publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experienced promoters and long track record of business in manufacturing of batteries from last twenty years, satisfactory current ratio, moderate debt service indicators, and moderate profitability margins. However, the rating is constrained by elongated conversion cycle, and high gearing level. Going forward, ability of the company to improve its elongated

conversion cycle, high gearing level, and manage its profitability margins and satisfactory current ratio would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- 1. Long Experience of the Promoters in Battery Business:** The Promoters of the company is into the manufacturing of batteries from last 30 years and the company has long track record of business from last 25 Years that helps to maintain their better relations with their customers and suppliers.
- 2. Satisfactory Current Ratio :** The company has maintain their current ratio at 1.42 Times in FY18. However it is further proposes to improve to 1.47 Times in FY19 (Projections).
- 3. Moderate Debt Service Indicators :** The Company has moderate debt service indicators with Interest Service Coverage Ratio of 1.89 Times and Debt Service Coverage Ratio of 1.67 Times in FY18.
- 4. Moderate Profitability Margins :** The Company has moderate profitability margins with Net Profit Margins of 1.40% and Operating Profitability Margins of 6.25% in FY18.

Credit Weakness:

- 1. Elongated Conversion Cycle :** The company has high conversion cycle of 182 days due to high days inventory of 154 days and high days receivables of 90 days in FY18. It is further proposes to improve to 143 days in FY19 (Projected).
- 2. High Gearing Level :** The company has high gearing level with TOL/TNW of 2.45 Times in FY18. It is proposed at 2.10 Times in FY19 (Projection).

Analytical Approach

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

Support from Holding/Subsidiary Company:

The Company has associate concern with the name of Kaycee Batteries & Alloys Private Limited but there is no such operational linkages between them.



Liquidity

The Company has Cash & Bank Balances of Rs 0.72 crores in FY18. Current ratio was at 1.42 times in FY18. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 90-95%. The conversion cycle has been 182 days in FY18 due to high days inventory. The Company has current maturities of long term debt of Rs 0.30 crores in FY19. The company has submitted cash flow statement and cash generated from operating activities is of Rs 7.82 crores in FY18. The Company ISCR at 1.89 times and Debt Service Coverage Ratio of 1.67 Times as on March 31 2018.

Rating Outlook: *Stable*

BWR believes the **Action Batteries Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Action Batteries Private Limited is incorporated in 1994 as a proprietorship firm and company got incorporated in 2008 as a private limited company. The company is engaged in trading and manufacturing of batteries for commercial market. The company supply high quality batteries under the Brand Name ""Action & Kaycee"" to 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.

Company Financial Performance

Total operating income (TOI) of the Company has improved from Rs 49.62 Cr in FY17 to Rs 57.16 Cr. in FY18. PAT has declined from Rs 0.96 Cr in FY17 to Rs. 0.80 Cr in FY18 but it has further improves to Rs 1.23 crores in FY19 (Projections).

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	57.16	49.62
EBITDA	₹ Cr	3.57	4.52
PAT	₹ Cr	0.80	0.96
Tangible Net worth	₹ Cr	11.89	11.08
TOL:TNW	Times	2.45	2.27
Current Ratio	Times	1.42	1.50

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Cash Credit Limit Term Loan (O.S)	Long Term	13.54* 0.16	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA	BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
2	Non Fund Based ILC/FLC ILG/FLG	Short Term	8.00 (1.00)**	BWR A4 (Pronounced as BWR Single A Four)	NA	BWR A4 (Pronounced as BWR Single A Four)	BWR A4 (Pronounced as BWR Single A Four)
	Total		21.70	Twenty One Crores Seventy Lakhs ₹ Only			

**Non Fund Based ceiling of Rs 8.00 crores.

*Cash Credit Limit includes adhoc limit of Rs 1.50 crores expiring on 10.2.2019

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



Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<p><i>V.K.Kukreja</i> <i>Associate Director-Ratings</i></p> <p>analyst@brickworkratings.com</p>	<p>media@brickworkratings.com</p>
	Relationship Contact
	<p>bd@brickworkratings.com</p>
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.