

Rating Rationale

Action Batteries Pvt. Ltd

4 December 2017

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Action Batteries Pvt. Ltd (“ABPL or The Company”).

Brickwork Ratings reaffirms following rating¹ for the Bank Loan Facilities of **Action Batteries Pvt. Ltd.**

Facilities	Previous Rated Amount(In Crs)	Amount to be Rated (In Crs)	Tenure	Previous Rating	Rating Assigned
Fund Based					
CC (Stock and BD)	12.90	12.90	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmation
OD – Tangible	5.10	-			
Term Loan *	-	0.21			
Non Fund Based				BWR A4(Pronounced as BWR Single A Four)	BWR A4(Pronounced as BWR Single A Four) Reaffirmation
ILC/ILG/FLC/FLG*	2.00	4.00	Short Term		
TOTAL	20.00	17.11	INR. Seventeen Crores and Eleven Lacs Only		

1 Please refer to BWR website www.brickworkratings.com for definition of the rating assigned

BWR has essentially relied upon audited financial results of **Action Batteries Pvt Ltd** up to FY17, projections of FY18, publicly available information and information provided by the company.

The rating draws strength from the extensive business experience of the promoters, moderate debt protection metrics and comfortable liquidity.

The rating is however constrained by stagnant total operating income, elongated conversion cycle, susceptibility of profitability to volatility in raw material prices and competition from established players and unorganized sector.

Key Rating Drivers

Credit Strengths

- **Extensive experience of promoters** - The promoters of the company have extensive experience of over two decades in manufacturing of Automotive and stand by batteries.
- **Moderate Debt Protection Metrics:** The company is has a moderate debt protection metrics marked by ISCR and DSCR at 1.64X and 1.59X respectively in FY17.
- **Comfortable Liquidity** : The entity has been able to maintain current ratio above 1.33 during the last 3 years.

Credit Weaknesses

- **Stagnation in Total Operating Income:** The Total Operating Income of the entity has been stagnant for the last 2 years. The TOI stood at 50.07Cr in FY16 vis a vis INR 49.62 Crs in FY17 due to intense competition by established and players with brand name.
- **Elongated conversion Cycle:** The company has a conversion cycle of 207 days on account of high inventory holding days of 146 days and receivable days of 112 days as on March 31,2017.
- **Susceptibility of profitability to volatility in raw material prices** :The price of raw material i.e. lead and carbon foam is market driven which due to higher demand is expected to remain firm and put pressure on the margins of batteries manufacturers. Thus any sharp adverse movement in future may affect its profitability.

Rating Outlook: Stable

BWR believes the **Action Batteries Pvt Ltd** 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.

Background:

ACTION BATTERIES PVT. LTD. is a manufacturer of Automotive and stand by batteries and is based out at Jalandar, Punjab. After starting its operation in 1994 the company has achieved many accomplishments and has established wide spread dealer network. The company is supplying high quality batteries under the Brand name "ACTION" & "KAYCEE" to replacement market and various Government State Transport Authorities.

Mr. Samir Chaudhary , Mr. Kawaljit Singh, Mrs Sunita Chaudhary , Mrs Anjali Chaudhary and Mr.Kewal Chaudhary are the directors of the company.

Company's financial Performance

Key Financials			
Result Type	Limits	31/Mar/2016	31/Mar/2017
		Audited	Audited
Total Operating Income	Crs	50.07	49.62
OPBDIT	Crs	4.83	4.52
PAT	Crs	0.65	0.96
Tangible Net Worth	Crs	10.13	11.08
TOL/TNW	Times	2.67	2.27
Current Ratio	Times	1.39	1.50

Facilities	Rating Assigned in 2017			Rating History		
	Amount to be Rated (In Crs)	Tenure	Rating Assigned	2016	2015	2014
CC (Stock and BD)	12.90	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmation	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA
Term Loan *	0.21					
ILC/ILG/FLC/FLG*	4.00	Short Term	BWR A4(Pronounced as BWR Single A Four) Reaffirmation	BWR A4(Pronounced as BWR Single A Four)	NA	NA
Total	17.11	INR. Seventeen Crores and Eleven Lacs Only				

Rating History for the last three years: (including withdrawn/suspended ratings)

Hyperlink/Reference to Applicable Criteria

- | | |
|---|---|
| 2 General Criteria | 4 Manufacturing Industries |
| 3 Approach to Financial Ratios | 5 Short Term Debt |

For any other criteria obtain hyperlinks from website

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For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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