

Rating Rationale

Brickwork Ratings Reaffirms 'BWR BB' & 'BWR A4' for the Bank Loan Facilities amounting to ₹ 72.99 Cr of Aegan Batteries Limited.

Brickwork Ratings (BWR) has *re-affirmed* the following **Ratings¹** for the Bank Loan facilities of Aegan Batteries Limited (*ABL or the 'Company'*):

Facility	Present Limits(₹Cr)	Previous Limits(₹Cr)	Tenure	Rating Recommended	Previous Rating (Feb 2014)
Fund Based			Long Term	BWR BB (Pronounced BWR Double B) (Outlook:Stable) Re-affirmed	BWR BB (Pronounced BWR Double B) (Outlook:Stable)
Cash Credit	29.50	25.00			
Term Loans	26.99*	34.39*			
Standby Line of Credit	3.00	-	Short Term	BWR A4 (Pronounced BWR A Four) Re-affirmed	BWR A4 (Pronounced BWR A Four)
Non-Fund Based					
Bank Guarantee	3.00	2.00			
Letter of Credit	10.50	8.00			
Total	72.99	69.39	INR Seventy Two Crores & Ninety Nine Lakhs only		

***Term loans outstanding**

BWR has principally relied upon the audited financial results up to FY14, provisional financials for FY15, projected financials up to FY17, publicly available information and information/ clarifications provided by the Company's management.

The ratings continue to positively factor the extensive industry experience of the promoters in the lead acid battery industry, diversified product portfolio with an established market presence in the telecom industrial batteries segment, a pan-India network and reputed clientele. The ratings remain constrained by the company's below average financial risk profile marked by high gearing levels, low profitability and stretched operating cycle, working capital intensive nature of operations and the intensely competitive nature of the industry.

Background:

Aegan Batteries Limited (ABL), Bengaluru was incorporated in October 2010. It is an ISO-9001:2008 certified company and is involved in the manufacture of lead acid batteries (industrial and automotive). The company's manufacturing facility is located in Kolar District, Karnataka.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Aegan Batteries Ltd (ABL) is engaged in manufacturing of lead acid tubular batteries, valve regulated lead acid (VRLA) batteries, gel batteries, traction batteries & automotive batteries. Commercial operations commenced in February 2012. ABL manufactures a wide range of batteries from 200 - 5000Ah in 2V cells, 42 - 200 Ah in 12V, 120AH in 6V, 12v 40Ah, 60Ah, 80Ah, 100Ah, 120Ah, 150Ah & 180Ah. ABL sources majority of its raw materials (lead) from the domestic market to manufacture maintenance free lead acid tubular batteries which cater to the OEM's & replacement segment in the domestic market.

The Company's products find wide applications in Solar, Telecommunication, UPS & Inverters & other industrial application. "Aegan" tubular batteries/cells are approved by the Department of Telecom (DOT).

Management:

ABL is a closely held private limited company promoted by Mr. T. Arun Kumar, Mr. T. Raj Kumar and Ms. Chitra (wife of Mr. T. Arun Kumar). Mr. T. Arun Kumar, Managing Director, has over 15 years of experience in the battery manufacturing segment. Mr. T. Raj Kumar, Director and brother of Mr. T Arun Kumar, has wide experience in lead extraction business. The promoters of ABL have been associated with the battery industry for over 15 years via their erstwhile company M/s. Leadage Alloys India Private limited (manufacturing and trading of lead/ lead alloys) which was sold to M/s. Exide Industries limited in August, 2010. The promoters also operate in the textile industry through a group company, Aegan Industries Private Limited (AIPL) located at Tirupur.

Financial Performance:

ABL reported Net Revenue of ₹68.98 Cr and PAT of ₹2.38 Cr in FY14 as against Net Revenue of ₹61.15 Cr and PAT of ₹1.32 Cr for FY13. On a provisional basis, the company has reported Net Revenue of ₹81.00 Cr for FY15.

Rating Outlook:

The rating outlook for ABL is expected to be stable over the current year. Going forward, the ability of the Company to improve its scale of operations and profitability considering the intense competition in the sector, strengthen its financial risk profile, ensure timely debt servicing and manage its working capital efficiently will be the key rating sensitivities.

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