

RATING RATIONALE

Autobat Accumulators Pvt. Ltd.

9 April 2020

Brickwork Ratings revises the ratings for Bank loan Facilities of ₹ 10.01 Crores of Autobat Accumulators Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2018)	Present
Fund Based	9.50	10.01	Long Term	BWR BB Stable Upgraded	BWR BB-Stable Downgraded
Total	9.50	10.01	INR Ten Crores and One 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 revises and downgrades the ratings of Autobat Accumulators Pvt. Ltd of bank loan facilities of Rs 10.01 Crs at BWR BB-(Stable) factoring the scale of operations, declining profitability margins and coverage ratios. BWR believes that business risk profile of Autobat Accumulators Pvt. Ltd will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR has essentially relied upon the audited financial statements of Autobat Accumulators Pvt. Ltd upto FY 19,9M FY20 Provisionals and projected financial statements of FY20 and FY21, publicly available information and information/clarifications provided by the entity's management.

KEY RATING DRIVERS

Credit Strengths:

- **Extensive experience of the promoters and established customer relationships:** By virtue of being in the industry for more than a decade , the promoter has established healthy relationships with reputed customers. The long standing experience is instrumental in scale up the operations.

- **Improved net worth and Capital Structure:** The tangible net worth of the firm has improved from Rs 11.22 Crs in FY18 to Rs 15.18 Crs in FY19 due to increase in share capital and retention of profits. This has further resulted in an improved gearing of 0.93x in FY19 viz-a-viz 1.11x in FY18
- **Wide distribution network and reputed client base:** The firm has approximately 2500 dealers and 115 distributors network in the states of Maharashtra, Karnataka, Goa, Chhattisgarh, Telangana and Kerala. The company has reputed client base Jain Irrigation, Bank of Maharashtra, SAIL, Calyx Group and some government bodies.

Credit Risks:

- **Scale of Operations and declining profitability margins :** Although the firm is in existence since 2005 the scale of operations of the firm is moderate. The total operating income has marginally declined in FY19 as compared to FY18. The firm has clocked sales of Rs 60.05 against projection of Rs 90.57 Crs in 9MFY20. The profitability margins marked by OPM and NPM have declined in FY19 as compared to FY18 and firm has incurred operating losses as per 9MFY20. The ISCR is below unity as per 9MFY20
- **Covid 19 impact:** The nationwide lockdown on account of Covid 19 is expected to impact the projected sales in FY20 and FY21
- **Exposure to intense competition in battery segments:** Competition is intensifying in the auto aftermarket battery segment and small-to-mid sized organised players offering products at extremely competitive prices.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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).

RATING SENSITIVITIES

Going forward the ability of the company to improve its scale of operations, Profitability and maintain its liquidity profile will be its key rating sensitivity.

Positive:The ratings may be upgraded with improvement in scale of operations ,profit margins and tangible net worth.

Negative:The ratings may be downgraded in case revenues of the company and profit substantially plunge from the current levels and gearing and debt service metrics deteriorate.

LIQUIDITY POSITION

The liquidity position of the firm is adequate and marked by a comfortable current ratio of 1.75x in FY19.The cash and cash equivalents are Rs 0.19 Crs in FY19 and the current investment are negligible.The average CC utilization is 85%.The cash accruals are sufficient to cover the CPLTD.

COMPANY PROFILE

Autobat Accumulator Pvt Ltd (AAPL), was incorporated in 2005 as a private limited company located in Pune, Maharashtra.The company is engaged in manufacture & sale of various types of industrial batteries, solar powered batteries and automotive batteries used for vehicles.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Operating Income	₹ Cr	85.38	88.70
EBITDA	₹ Cr	4.61	5.57
PAT	₹ Cr	1.96	3.38
Tangible Net Worth	₹ Cr	15.18	11.22
Total Debt /TNW	Times	0.93	1.11
Current Ratio	Times	1.75	1.55

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:NIL

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	Dec 2018	Aug 2017
Fund Based	Long Term	10.01	BWR BB- Stable Downgraded	NIL	BWR BB Stable Upgraded	BWR BB- Stable Reaffirmed
Total		10.01	INR Ten Crores and One Lakhs Only			

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

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Autobat Accumulators Pvt. Ltd.
ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Kotak Mahindra Bank	Cash Credit	8.00	-	8.00
		Term Loan O/S	2.01	-	2.01
		WCDL	(4.00)		(4.00)
		Total			10.01

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