

Integrated Batteries India Private Limited

January 18, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.35	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	12.65	CARE BB-; Stable / CARE A4	Assigned
Short Term Bank Facilities	9.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Integrated Batteries India Private Limited (IBIPL) is primarily constrained on account of small scale of operations, low profitability margins, leveraged capital structure and weak debt coverage indicators. Further, the ratings are also constrained by foreign exchange fluctuation risk, competitive and fragmented nature of industry and exposure to volatility in raw material prices. The rating, however, derive strength from experienced promoters coupled with long track record of operations and comfortable operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Improvement in scale of operations to around Rs.70.00 crore and above over the medium term on sustained basis.
- Improvement in the capital structure as marked by overall gearing ratio of below 1.00x.

Negative factors:

- Deterioration in capital structure marked by overall gearing of more than 2.50x on sustained basis.
- Deterioration in profitability margin as marked by PBILDT margin to below 2.00%.
- Significant Increase in operating cycle beyond 60 days on a sustained basis.

Analytical approach: Standalone

Key weaknesses

Small scale of operations

The scale of operations of the company remained small though marginally improved as marked by total operating income of Rs. 46.05 crore respectively during FY22 as against Rs. 31.91 crore respectively in FY21. The improvement in total operating income is on account of addition of new clients. The small scale limits the company financial flexibility in times of stress and deprives it from scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously for the past four financial years (FY19-FY22). The total operating income of IBIPL has increased to Rs. 46.05 crore in FY22 from Rs. 24.52 crore during FY19 reflecting a compounded annual growth rate (CAGR) of 17.07% owing to higher intake from existing clients coupled with addition of new clients. Further, during 9MFY23 (refer to the period from April 01, 2022, to December 31, 2022; based on provisional results); the company has achieved the total operating income of Rs. 27.00 crore and is expecting to book revenue of Rs. 47.00 crore in FY23 backed by back-to-back orders from existing clients.

Low profitability margins

The profitability margins of the company as marked by PBILDT, and PAT margin stood low for the last five years (FY18-FY22). PBILDT margin of the company stood at 2.78% during FY22 as against 4.18% during FY21. The moderation in PBILDT margin is on account of increase in procurement cost which the company is unable to pass on completely to its customers. Further, the company has reported decline in PAT margin to 0.77% during FY22 as against 1.68% in FY21 on account of increase in interest expenses. The PBILDT and PAT margin of the company is expected to remain in the range of 2.50%-3.00% as envisaged.

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2022, the debt profile of the company comprises of term loan of Rs. 0.15 crore, GECL loan of Rs. 0.33 crore, vehicle loan of Rs. 0.05 crore, unsecured loan of Rs. 3.30 crore and working capital limit of Rs. 3.82 crore. The capital structure of the company stood leveraged as marked by overall gearing ratio stood at 2.06x as on March 31, 2022 as compared to 1.91x as on March 31, 2021. The moderation in overall gearing is on account of higher reliance on external borrowings to fund the incremental working capital requirements of business.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Further, on account of high debt levels leading to high interest cost and low profitability leading to low gross cash accruals the debt coverage indicators of the company stood weak as marked by interest coverage ratio and total debt to GCA and stood at 4.14x and 9.87x respectively in FY22 as against 5.91x and 5.82x respectively in FY21.

Foreign exchange fluctuation risk

The business operations of IBIPL involve both exports and imports resulting in sales realization and cash outflow in foreign currency. Further, being an importer and an exporter, the foreign currency risk is partially mitigated through a natural hedge. However, in the absence of any hedging policies adopted by the company, IBIPL is exposed to fluctuations in the value of rupee against foreign currency which may impact its cash accruals. Moreover, any change in government policies, either domestic or international is likely to affect the company's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non-tariff barriers (restriction on the quality of imports), anti-dumping duties, international freight rates and port charges.

Competitive and fragmented nature of industry

Integrated Batteries India Private Limited operates in a competitive environment which consists of large number of organized and unorganized players as the market for these products in India is extensive and enough for both the organized and unorganized players to co-exist. Furthermore, there are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins.

Exposure to volatility in raw materials price

IBIPL procures the raw materials from domestic players as well as from international players. The finished goods as well as raw material prices of solar cells are volatile in nature. The finished goods price moves in tandem with raw material prices, but with a time lag. Since the raw material is the major cost driver, any decline in finished goods price with no decline in raw material price result in adverse performance of the company. Since the company does not have any backward integration for its primary raw materials and procures the same from outside, it is exposed to price volatility.

Key strengths

Experience promoters coupled with long track of records of operations

IBIPL is promoted by Mr. Suresh Kumar Mahajan. Mr. S.K. Mahajan (Founder and Director) is an engineering graduate and also possess post graduate qualification in sales and marketing management and holds accumulated experience of more than two decades in manufacturing and trading of batteries. He incorporated the firm Integrated Marketing in 1991 as a distributor of batteries/UPS Systems/Industrial AC-DC drives after 16 years of experience in trading of batteries. In 2003, Integrated Marketing was converted to Integrated Batteries India Pvt. Ltd. IBIPL under his guidance started manufacturing of Solar panels in Noida. Mr. S.K. Mahajan is well supported by his wife Mrs. Rajni Mahajan. She has pursued M.A.M. Ed from Agra University, U.P. and having a teaching experience of around four decades in one of the reputed schools of Delhi. Further, S.K. Mahajan is also supported by his two sons Mr. Aviral Mahajan who has done B.Tech from Delhi and M.S. in Computer Science from New York State University and Mr. Abhinav Mahajan who has done BBA from Amity University and MBA from Latrobe University, Australia. Promoters' extensive industry experience helps the company to maintain healthy relationships with customers and suppliers.

Comfortable operating cycle

The operating cycle of the company stood comfortable at 24 days for FY22 as against 16 days for FY21. The company is required to maintain adequate inventory of raw material as the company as the lead time for the imports from China is around three months resulting in an average inventory holding period of around 45 days for FY22. The company procures material on LC of 60-90 days resulting in average credit period of 38 days in FY22. The company sell its goods on a credit period of 1-2 months resulting in average collection period of 17 days in FY22.

The average utilization of working capital limits stood around 75% utilized for the past 12 months ending December 31, 2022.

Liquidity: Stretched

The liquidity position of the company remained stretched characterized by tightly matched accruals vis-à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.0.78 crore during FY22 and is expected to generate envisage gross cash accruals of Rs.0.85 crore for FY23 against repayment obligations of Rs.0.15 crore in same year. Further, the company has low unencumbered cash & bank balance which stood at Rs. 0.04 crore as on March 31, 2022. However, the average utilization of its working capital limits stood at 75% utilized for the past 12 month's period ending December 2022.

Applicable criteria

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)
[Solar Power Projects](#)

About the company

Noida, Uttar Pradesh based, Integrated Batteries India Private Limited (IBIPL) was incorporated on December 08, 2003 by Mr. Suresh Kumar Mahajan. It is currently being managed by Mr. S.K. Mahajan, Mrs. Rajni Mahajan, Mr. Abhinav Mahajan and Mr. Aviral Mahajan.

The company is engaged in the manufacturing of solar panels and equipment's. The manufacturing unit of the company is located Gautam Buddha Nagar, Uttar Pradesh with combined installed capacity of power generation of 150 megawatt per year and actual production of 100 megawatt as March 31, 2022. The company procure raw materials like solar cells solar glass, aluminium frame, EVA, back sheets, ribbon, junkson box and other consumables to form solar panels. The company procure aluminium and steel from domestic markets and import solar cells from China. Further, the company has set up their own solar panels manufacturing line and introduced the solar range with the brand name "IB Solar".

The company is closely associated with leading EPC players based in Delhi-NCR, Jharkhand, Punjab and maintaining good relations with government organizations for installation of solar power plants, etc and exports electronic products to various countries namely Zambia, Nigeria and Lebanon, etc.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov.)*
Total operating income	31.91	46.05	27.00
PBILDT	1.34	1.28	NA
PAT	0.54	0.35	NA
Overall gearing (times)	1.91	2.06	NA
Interest coverage (times)	5.91	4.14	NA

A: Audited; Prov.: Provisional; NA: Not Available

*Refer to the period from April 01, 2022 to December 31, 2022

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	January 2024	0.35	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	12.65	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Letter of credit		-	-	-	9.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable				
2	Fund-based - LT-Term Loan	LT	0.35	CARE BB-; Stable				
3	Non-fund-based - ST-Letter of credit	ST	9.00	CARE A4				
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	12.65	CARE BB-; Stable / CARE A4				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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