

RATING RATIONALE

15Mar2021



High Energy Batteries (India) Ltd

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of Rs. 72.95 Crs. of High Energy Batteries (India) Ltd

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present		Previous (27 Mar 2020)	Present
Fund Based	27.00	30.45	Long Term	BWR BB /Stable Upgrade	BWR BB + /Stable Upgrade
Non Fund Based	40.00	42.50	Short Term	BWR A4 + Upgrade	BWR A4 + Reaffirmation
Grand Total	67.00	72.95	(Rupees Seventy Two Crores and Ninety Five lakhs Only)		

*Please refer to BWR website www.brickworkratings.com (<https://www.brickworkratings.com>) for definition of the ratings

**Details of Bank Loan facilities,consolidation or instruments are provided in Annexure

RATING ACTION / OUTLOOK

The ratings upgrade factors in the improved financial performance in FY2020 and 9MFY 2021, limited competition in the domestic defence ancillary segment in which the Company operates and medium term revenue visibility through healthy order book position with low counter party credit risk as majority orders are exclusively from the companies related to the Ministry of Defence, Government of India.

The ratings continue to draw strength from the experience of the promoters in the battery manufacturing industry, increased profitability margins, improved debt protection metrics, long standing relationships with reputed clientele and positive outlook for domestic defence manufacturing sector. However, the ratings remain constrained by working capital intensive operations with high dependence on external financing, customer and supplier concentration risk, susceptibility of margins to fluctuation in raw material prices , uncertainty associated with low entry barriers in this business and inherent limitations of tender based contract with competitive bidding.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Brickwork Ratings believes that High Energy Batteries (India) Limited's business and financial risk profile will be maintained over the medium term. The outlook may be revised to positive if there is improvement in net sales and profitability on a sustained basis, leading to strengthening of financial risk profile. The outlook may be revised to negative if there is decline in revenue and profitability and deterioration of gearing and debt coverage metrics, thereby weakening the financial risk profile of the Company.