

April 26, 2024

NED Energy Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Fund Based – Cash Credit	46.00	7.00	[ICRA]BBB- (Stable); Reaffirmed
Long-Term Fund Based – Term Loans	2.50	0.00	-
Short-Term Non-Fund Based	18.00	3.00	[ICRA]A3; Reaffirmed
Total	66.50	10.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned factor in the strong parentage of NED Energy Limited (NED/ the company) and the benefits it derives from being the subsidiary of Time Technoplast Limited (TTL, rated [ICRA]A1+). The ratings also factor in the extensive experience of NED for more than two decades in the battery manufacturing industry.

The ratings are, however, constrained by the company's modest scale of operations and high working capital intensity owing to the high inventory and debtor days. ICRA notes that due to changes in the management during the course of FY2023, the performance of the company has witnessed moderation as the company has been focusing on restructuring its business. As a result, the consolidated scale of operations has moderated with revenue moderating to Rs. 90.5 crores in FY2023 and expected to remain around Rs. 100 crores in FY2024. Along with the moderation in the revenues the company also posted an operating loss in FY2023 owing to inventory write-offs undertaken during the year. In FY2024, however the operating profit is expected to improve albeit there will be some impact due to the write-offs to be undertaken pertaining to certain long-standing receivables.

Going forward ICRA expects the scale of operations to improve with the standalone operations expected to witness improvement with the subsidiary's performance expected to remain stable, the consolidated performance of NED is expected to witness healthy improvement from FY2025 onwards.

The Stable outlook on the long-term rating considers ICRA's opinion that the company will continue to benefit from its long track record in the battery business and the support from the parent, should the need arise.

Key rating drivers and their description

Credit strengths

Long track record in battery manufacturing – The company has a track record of more than two decades in the battery manufacturing business with adequate technical competence. NED has been manufacturing batteries since 1998. It produces valve-regulated lead acid (VRLA) batteries that are primarily used in the telecom industry, UPS, solar, railways, inverter and industrial applications.

Strong Parentage – The company is a subsidiary of TTL, which is one of leading manufacturers of industrial packaging solutions, lifestyle products, automotive components, infrastructure related products, IBCs, material handling solutions, composite cylinders, and MOX films. The company receives support from the parent in the form of the managerial guidance and support in terms of raising funds from the lenders by providing corporate guarantees backing the lending program of the company.

Credit challenges

Modest scale of operations – The scale of operations has remained modest over the years. The OI moderated significantly by ~ -25% to ~Rs 90.5 crore in FY2023 from ~ Rs 120.2 crore in FY2022. Due to a change in the leadership the company took a major part of FY2023 and FY2024 to restructure the business in order to improve its operations. The improvement in OI is expected to be seen in FY2025 with a better demand for batteries from sectors like power utility, railways, industrial etc. Going forward, the revenues are expected to improve, aided by demand from the aforementioned sectors.

High working capital intensity – The working capital intensity stood significantly high at ~ 99% as of March 31, 2023 due to high inventory and debtor days at year end and lower creditor days. However, with business in-line the company expects to maintain an inventory of 90-100 days going forward and with debtors days moderate at 74 days which would further support the credit profile of the company.

Liquidity position: Stretched

The company's liquidity position is expected to remain stretched going forward given the modest profitability and expected increase in the scale of operations which will result in an increase in funding for working capital requirements which ICRA expects will be tightly matched with the current working capital limits. With the proceeds from the sale of assets undertaken in FY2023 and FY2024 the company has reduced its debt levels and the same has resulted in no debt repayments going forward. The company does not have any major capex plans going forward as well.

Rating sensitivities

Positive factors – The ratings could be upgraded in a scenario of significant improvement in the credit profile of the parent. A sustained improvement in the scale of operations and profitability while maintaining a healthy leverage and coverage metrics and improvement in the liquidity profile will be a key driver for a rating upgrade.

Negative factors – Pressure on the ratings could arise if there is a sustained decline in the revenue and operating profitability or an increase in the working capital intensity, impacting the overall liquidity position. Further, any weakening of linkages with TTL or moderation in the credit profile of the parent may adversely impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Time Technoplast Limited The ratings consider the likelihood of the parent TTL extending support to NED Energy, should the need arise
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of NED Energy Limited. The company had one subsidiary that is enlisted in Annexure-2

About the company

NED Energy Limited (NED), incorporated in 1998, is a subsidiary of Time Technoplast Limited (TTL, rated [ICRA]A1+), which has a 97% shareholding in the company. NED manufactures Valve Regulated Lead Acid (VRLA) batteries that are primarily used in the telecom industry, UPS, solar, railways, inverter and industrial applications. NED has a 100% subsidiary, Power Build Batteries Private Limited, based out of Karnataka, which manufactures low maintenance lead acid (LMLA) batteries and mainly supplies to the Indian Railways.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	120.2	90.5
PAT	5.0	2.3
OPBDIT/OI	12.8%	-1.0%
PAT/OI	4.1%	2.5%
Total outside liabilities/Tangible net worth (times)	0.8	0.5
Total debt/OPBDIT (times)	2.8	-43.7
Interest coverage (times)	2.6	-0.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Apr 26, 2024	-	Jan 24, 2023	Oct 31, 2022	Jul 20, 2021
1 Fund Based – Cash Credit	Long term	7.00	-	[ICRA]BBB- (Stable)	-	[ICRA]A-(CE) (Stable); rating withdrawn and simultaneously [ICRA]BBB- (Stable) assigned	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)
2 Fund Based – Long-Term Loans	Long-Term	0.00	-	-	-	[ICRA]A-(CE) (Stable); rating withdrawn and simultaneously [ICRA]BBB- (Stable) assigned	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)
3 Non-Fund Based	Short-Term	3.00	-	[ICRA]A3	-	[ICRA]A2+(CE); rating withdrawn and simultaneously [ICRA]A3 assigned	[ICRA]A2+ (CE)	[ICRA]A2+ (CE)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-Term Fund Based – Cash Credit	Simple
Short-Term Non-Fund Based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	7.00	[ICRA]BBB- (Stable)
NA	Non-Fund Based Limits	-	-	-	3.00	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Power Build Batteries Private Limited	100%	Full Consolidation

Source: Company

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