

POCL Enterprises Limited

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	16.28	CARE BBB+; Stable	Assigned
Long-term bank facilities	94.60 (Enhanced from 84.60)	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Long-term / Short-term bank facilities	25.00	CARE BBB+; Stable / CARE A2	Assigned
Long-term / Short-term bank facilities	6.00	CARE BBB+; Stable / CARE A2	Upgraded from CARE BBB; Stable / CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of POCL Enterprises Limited (POEL) factors in continued increase in scale of operations and improvement in operating margin in the last two years and in H1FY25. Ratings continue to draw comfort from established customer and supplier base, and experience of promoters in the similar line of business. However, ratings are constrained by the company's thin margins, which are vulnerable to raw material price volatility and forex risk, client concentration risk, and regulatory risk resulting from stringent environmental standards.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 5% on a sustained basis.
- Improvement in total debt to gross cash accruals (TD/GCA) below 2.50x on a sustained basis.

Negative factors

- Decrease in scale of operations and decrease in PBILDT margins below 2% on a sustained basis.
- Increase in overall gearing beyond 1.5x.
- Elongation in collection/inventory period beyond three months.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company would sustain its healthy operational performance in the medium term considering its established client base.

Detailed description of key rating drivers:

Key strengths

Sharp improvement in scale of operation driven by increased demand from battery manufacturers

POEL recycles nonferrous metals, primarily lead, from scrap into pure form with metal concentrations greater than 99.5%, as well as lead alloys and oxides. These lead products are largely used in battery manufacturing and have been contributing over 58% of POEL's total revenue. Zinc oxide manufacturing accounts for 12% of the company's total revenue followed by 7% from PVC stabilisers. Zinc oxide is used as a vulcanising agent in the rubber manufacturing process to improve its durability and PVC

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

stabilisers are used as additives/specialty chemicals to offer strength and durability, while plastic is extruded to build pipes, among others.

Scale of operation over doubled from ₹498 crore in FY22 to ₹1120 crore in FY24 and ₹736 in H1FY25, representing an annualised growth of 31% for FY25. This growth was driven by increased volume due to higher demand from Tier I battery manufactures, with the company beginning to supply all grades of lead oxides required by OEMs. POEL has leveraged its sourcing capabilities to trade to other recyclers, further aiding revenue growth. Trading accounted for 20% of TOI in FY24 and has gone up 29% in H1FY25 compared to 12% in FY23.

Reputed clientele and diversified supplier base

POEL caters to reputed clients in domestic and export markets. POEL's domestic sales have expanded in the last two fiscal years consequent to addition of reputed lead-acid manufacturers to its client roster. Exports are done to an array of international clients, primarily operating in the APAC region and export sales accounted for 20% of the company's total sales in FY24 (PY: 21%). The company imports majority raw materials from scrapyards in the United Kingdom, the United States, and Southeast Asia, allowing it to operate with a diverse supply base.

Experienced promoters

The promoters, having been associated with similar concerns in the past, promoters have nearly three decades of experience in similar lines of business. They have also established relationships with reputed clients and a diversified supplier base in domestic and international markets.

Profitability susceptible to raw material price volatility and forex risk, despite improvement in the recent past

Due to limited value addition in terms of only recycling metals by smelting and refining, the company's PBILDT margin was low between 2-3% in the past. The company needs to maintain a minimum stock of 1.5x its monthly orders, and fluctuations in raw material costs at this stock level can impact its profitability. However, PBILDT margin improved from 2.44% in FY22 to 3.52% in FY24 and further to 4.28% in H1FY25 aided by attributed by improved scale, better capacity utilisation, cost optimisation measures and effective pricing strategies to mitigate volatility risk.

Key weaknesses

Leveraged capital structure

The company has a small net worth base in relation to the size of its operation, leading to a highly leveraged capital structure. Despite a significant increase in operations in FY24, debt levels in FY24-end remained similar to those in FY23, resulting in improvement in leverage levels and debt coverage indicators. Overall gearing improved to 1.54x as on March 31, 2024 (PY: 1.75x). Debt coverage indicators also improved marked by TD/GCA of 5.42x in FY24 (PY:6.22x).

Customer Concentration risk

POEL's revenue is concentrated with top 10 customers contributing 69% of the TOI in FY24 (PY: 67%) with one major client group contributing 37% of the total TOI (PY: 33%).

Regulatory risk arising from stringent environmental standards

Companies engaged in lead manufacturing process must adhere to rigorous pollution control norms as the industry is extremely polluting and has hazardous effect on the environment. Deviation from prescribed waste handling procedures could result in stringent regulatory action.

Liquidity: Adequate

The company generated GCA of ₹19.36 crore in FY24 and ₹16.86 crore in H1FY25, marking comfortable accruals to meet its term debt repayment obligations of ₹5.10 crore in FY25. The company's operating cycle remained stable at 36 days in FY24 (PY 38 days). Average working capital utilisation for 12-months ended October 2024 stood at 81%.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & mining	Non - ferrous metals	Zinc

POEL is a recycler and secondary manufacturer of nonferrous metals such as lead and zinc. POEL operates five factories (three in Tamil Nadu and two in Pondicherry) with a total annual capacity of 67,240 MT as on September 30, 2024. Managing directors Devakar Bansal and Sunil Kumar Bansal are supported by family and directors in daily operations.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	H1FY25 (UA)
Total operating income	874.36	1,120.44	736.82
PBILDT	29.08	39.44	31.53
PAT	12.90	17.77	15.90
Overall gearing (times)	1.75	1.54	1.70
Interest coverage (times)	2.72	2.78	3.42

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

POCL Enterprises Limited has not co-operated with Brickwork Ratings, where it has classified the issuer as 'Non-Cooperative' vide its press release dated November 19, 2024. The reason provided was non-furnishing of sufficient information to monitoring ratings.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	94.60	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	February 2029	16.28	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	25.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-BG/LC		-	-	-	6.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	94.60	CARE BBB+; Stable	-	1)CARE BBB; Stable (07-Mar-24) 2)CARE BBB; Stable (21-Jul-23)	-	-
2	Fund-based - ST-EPC/PSC	ST	-	-	-	1)Withdrawn (07-Mar-24) 2)CARE A3+ (21-Jul-23)	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	6.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB; Stable / CARE A3+ (07-Mar-24) 2)CARE BBB; Stable / CARE A3+ (21-Jul-23)	-	-
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	25.00	CARE BBB+; Stable / CARE A2				
5	Fund-based - LT-Term Loan	LT	16.28	CARE BBB+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of 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	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

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

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

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Sandeep P Director CARE Ratings Limited Phone: 914428501002 E-mail: sandeep.prem@careedge.in</p> <p>Ratheesh Kumar Associate Director CARE Ratings Limited Phone: 044-28501009 E-mail: ratheesh.kumar@careedge.in</p> <p>Bhuvaneshwaran Balamurugan Analyst CARE Ratings Limited E-mail: Bhuvaneshwaran.b@careedge.in</p>
--	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**