POEL POCL ENTERPRISES LIMITED

**REF: POEL/BNS/BSE/2024–25/44**
**JANUARY 7, 2025**

BSE LIMITED
PHIROZE JEEJEEBHOY TOWERS
DALAL STREET
MUMBAI- 400001

**Scrip Code – 539195**

DEAR SIR,

**SUB : Credit Ratings – Renewal & Upgrade**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, this is to inform you that CARE Ratings Limited has upgraded the ratings of Bank Facilities availed by the Company as mentioned below:

| Tenure | Existing Rating | Revised Rating |
|---|---|---|
| Long Term | CARE BBB; Stable | CARE BBB+; Stable |
| Long Term & Short term | CARE BBB; Stable / CARE A3+ | CARE BBB+; Stable / CARE A2 |

The rating press release is enclosed hereunder.

This is for your information and record.

Thanking You,

Yours faithfully,
For **POCL ENTERPRISES LIMITED**

AASHISHKUMAR
KAILASH CHAND
JAIN

Digitally signed by AASHISHKUMAR KAILASH CHAND JAIN
DN: c=IN, postalCode=600001, st=TAMIL NADU, street=32 3RD FLOOR NARAYANA MUDALI STREET SOWCARPET, l=CHENNAI, o=Personal, serialNumber=8ac9136bbf8e4eeafa2160dd330f57157225d7db445de3abef1fa5e0365d5f20, pseudonym=6c5bb871277cb569b9587a2189cfcb94, 2.5.4.20=a7ab8ab7836275d977c4343e263ce99b60d091420c61f89d3106571aad6d6102, email=CORPRELATIONS@POEL.IN, cn=AASHISHKUMAR KAILASH CHAND JAIN
Date: 2025.01.07 14:22:16 +05'30'

**AASHISH KUMAR K JAIN**
**COMPANY SECRETARY & FINANCE HEAD**

# 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

[1]Complete 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)<br><br>2)CARE BBB; Stable (21-Jul-23) | - | - |
| 2 | Fund-based - ST-EPC/PSC | ST | - | - | - | 1)Withdrawn (07-Mar-24)<br><br>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)<br><br>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

| Media Contact | Analytical Contacts |
| --- | --- |
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**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.



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