

### Baliga Lighting Equipments Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.90	SMERA BB+/Stable (Assigned)
Export Packing Credit/Bills Discounting	1.00	SMERA A4+ (Assigned)
Letter of Credit	1.50	SMERA A4+ (Assigned)
Bank Guarantee	4.50	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.10.90 crore bank facilities of Baliga Lighting Equipments Private Limited (BLEPL). The outlook is '**Stable**'.

The ratings draw comfort from the experienced management and long track record of operations. The ratings also factor in the comfortable financial risk profile marked by moderate net worth, comfortable gearing and healthy coverage indicators. However, the ratings are constrained by the moderate scale of operations, working capital intensive business and susceptibility of profit margins to fluctuations in raw material prices.

BLEPL, incorporated in 1961 is engaged in the manufacture of electrical, electronic equipments and related products. The company benefits from its experienced management. Mr. R. Ramesh Baliga, Managing Director, possesses over four decades of experience in the electrical industry and benefits from the company's long term relations with customers and suppliers. The financial risk profile is comfortable with gearing (Debt-equity) of 0.29 times, interest coverage ratio of 3.15 times and debt service coverage ratio (DSCR) of 2.75 times in FY2015-16.

However, the scale of operations is moderate with growth of 7 per cent between FY2015-16 and FY2013-14. The operations are working capital intensive as reflected in the gross current asset days of 241 on account of high debtor days of 154 in FY2015-16. The operating margins declined marginally to 3.50 per cent in FY2015-16 from 4.62 per cent in FY2014-15 and are susceptible to fluctuations in raw material prices of aluminium ingots.

#### Rating Sensitivity Factors

- Scaling up operations, sustaining healthy profitability
- Efficient working capital management

#### Outlook-Stable

SMERA believes that BLEPL will maintain a stable outlook in the medium term owing to its established presence in the cables and wires industry. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

The Chennai-based BLEPL was incorporated in 1961. The company is engaged in the manufacture of electrical and electronic equipments. It caters to various industries including oil and gas, pharmaceuticals, chemicals, refineries among others. Some of the prominent customers include Reliance Industries Limited, Aurobindo Pharma Limited, Asian Paints Limited to name a few.

The manufacturing facilities are located in Chennai with total installed capacity of 2,74,700 units per annum. The overall operations are managed by Mr. R. Ramesh Baliga. BLEPL reported net profit margins of 1.13 per cent for FY2015-16 as compared to 0.97 per cent for FY2014-15.

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### ABOUT SMERA

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