

Press Release

Eco Lite Technologies (ELT)

May 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.16.33 Cr
Long Term Rating	SMERA D (Assigned)
Short Term Rating	SMERA D (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating and short-term rating of '**SMERA D**' (read as **SMERA D**) on the Rs.16.33 crore bank facilities of Eco Lite Technologies (ELT). The outlook is '**Stable**'.

Eco Lite Technologies, incorporated in 2010 is engaged in the manufacture of LED lighting products at Gurugram, Delhi-NCR with an installed capacity is 1 million bulbs per month. The firm also manufactures solar roofs, pumps and generators. The firm is promoted and managed by Mr. Amit Gupta, Mrs. Rachna Arora and Mr. Rishi Vani.

List of key rating drivers and their detailed description:

Strengths:

Experienced management: The promoters, Mr. Amit Gupta, Mrs. Rachna Arora and Mr. Rishi Vani have an experience of almost a decade in the electronic industry.

Weaknesses:

Delays in debt servicing due to weak liquidity: There have been delays of around 30 days in interest and principal payments on term loan due to a weak liquidity position. The high working capital intensive nature of the business has resulted in limited financial flexibility of the firm. The bank limits remained fully utilized from October, 2016 to March, 2017.

Weak financial risk profile: The financial risk profile of the firm is marked by high gearing, modest debt protection measures and low net worth. ELT has high gearing of 2.50 times as on 31 March, 2016 against 1.62 times in FY2014-15. The interest coverage ratio stood modest at 1.23 times in FY2015-16 against 1.34 times in FY2014-15. The low Net Cash Accrual to Total Debt (NCA/TD) of 0.04 times in FY2016 vis-à-vis 0.06 times in FY2015 is mainly on account of decline in profitability metrics. The rating also factors in the low Net worth of Rs.4.23 cr on 31 March, 2016 (unsecured loans of Rs.2.27 crore are from promoters and are subordinated to bank debt; hence SMERA has treated them as quasi equity) as against Rs.7.33 cr on 31 March, 2015 (unsecured loans of Rs.2.03 crore are from promoters and are subordinated to bank debt; hence SMERA has treated them as quasi equity).

Working capital intensive nature of operations: The operations are working capital intensive marked by gross current assets (GCA) of 278 days in FY2016. This is on account of stretched inventory of 208 days. Further, the firm's liquidity profile is stretched as it fully utilises its working capital limits.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the Rated Entity – Key Financials

For FY2015-16, ELT reported net profit after tax of Rs.0.20 crore on total income of Rs.17.85 crore as compared to Rs.0.39 crore on total income of Rs.19.06 crore a year earlier. The net worth stood at Rs.4.23 crore as on March 31, 2016, as compared with Rs.7.01 crore a year earlier. The net worth of Rs.4.23 crore in FY2016 includes quasi equity of Rs.2.27 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	2.33	SMERA D	-	-	-	-	-	-
Cash Credit	LT	6.00	SMERA D	-	-	-	-	-	-
Letter of Credit	ST	4.00	SMERA D	-	-	-	-	-	-
Bank Guarantee	ST	4.00	SMERA D	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	N.A	2.33	SMERA D
Cash Credit	N.A	N.A	N.A	6.00	SMERA D
Letter of Credit	N.A	N.A	N.A	4.00	SMERA D
Bank Guarantee	N.A	N.A	N.A	4.00	SMERA D

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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