

Press Release

Eco Lite Technologies (ELT)

June 04, 2018

Rating Assigned, Upgraded and Withdrawn



Total Bank Facilities Rated*	Rs. 16.33 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (upgraded from ACUITE D)
Short Term rating	ACUITE A4 (upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating of '**ACUITE D**' (read as **ACUITE D**) to '**ACUITE B**' (read as **ACUITE B**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.14.00 crore bank facilities. Acuite has assigned the long term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.2.33 crore bank facilities of Eco Lite Technologies (ELT). The outlook is '**Stable**'.

Further, Acuite has withdrawn the rating of '**ACUITE D**' (read as **ACUITE D**) on the Rs.2.33 crore bank facilities of Eco Lite Technologies (ELT).

The upgrade is in view of the default being cured by the firm with no irregularities being observed for the last six months ended May 2018.

Established in 2010, Eco Lite Technologies is a Gurgaon-based partnership firm engaged in manufacturing of LED lighting products and trading of solar lighting products. It is led by Mr. Amit Gupta, Mrs. Rachna Arora and Mr. Rishi Vani. The manufacturing unit is located in Manesar (Gurgaon). It has operating capacity of 10 lakh bulbs or downlight & 75000 street lights per month. The firm caters to reputed clientele like Havells, Orient group, L&T and Servotech among others.

Key Rating Drivers

Strengths

• Curing of default

The firm has cured the default and debt servicing is on time. The firm has fully repaid its term loan and no irregularities have been observed in the account in the six months ended May 2018.

• Growth in scale of operations:

The firm has reported revenues of Rs.40.11 crore in FY2018, an increase from Rs.30.35 crore in FY2017 and Rs.17.84 crore in FY2016. The operating margins have declined to 8.95 percent in FY2018 from 13.60 in FY2016. This is mainly due to increased contribution of trading revenues to total sales.

• Experienced management

The Partners have experience of around a decade in electrical industry. The extensive experience of the partners have led to strong ties with reputed clients.

Weaknesses

• Moderate financial risk profile

The net worth of ELT stood at Rs.11.94 crore as on 31 March, 2018 as against Rs.5.72 crore as on 31 March, 2017. This is because of infusion of Rs.3.89 crore by the partners. The gearing (debt-equity) stood comfortable at 1.00 times as on 31 March, 2018 as against 2.50 times as on 31 March, 2017. The total debt of Rs.11.94 crore as on 31 March, 2018 comprises unsecured loans of Rs.4.96 crore and working capital borrowings of Rs.6.98 crore. The Interest Coverage Ratio (ICR) has improved to 2.60 times in FY2018 from 1.74 times in FY2017. Debt Service Coverage Ratio (DSCR) has improved to 1.21 times in FY2018 from 0.92 times in FY2017.

• **Working capital intensive operations and stretched liquidity:**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 225 days in FY2018 as against 310 days in FY2017. Inventory stood at 97 days in FY2018 as compared to 132 days in FY2017. The firm had debtors outstanding of 128 days in FY2018 as against 182 days in FY2017. The firm's liquidity profile is stretched as its average working capital limit utilisation is 100 percent in the last six months ended March, 2018.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

Acuite believes that ELT will maintain a 'Stable' outlook on account of experienced management and established track record. The outlook may be revised to 'Positive' in case of significant growth in scale of operations while maintaining profitability along with improved working capital cycle and liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the scale of operations or profitability thereby impacting the financial risk profile. Further, any significant elongation in working capital cycle thereby putting pressures on ELT's liquidity would entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	40.11	30.35	17.84
EBITDA	Rs. Cr.	3.59	2.62	2.43
PAT	Rs. Cr.	2.08	0.88	0.20
EBITDA Margin	(%)	8.95	8.64	13.60
PAT Margin	(%)	5.19	2.90	1.10
ROCE	(%)	16.12	13.87	29.95
Total Debt/Tangible Net Worth	Times	1.00	2.50	6.53
PBDIT/Interest	Times	2.60	1.74	1.23
Total Debt/PBDIT	Times	3.15	5.33	5.16
Gross Current Assets (Days)	Days	225	310	279

Status of non-cooperation with previous CRA (if applicable):None

Any other information- Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading entities - <https://www.acuite.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
17-May-2017	Term Loan	Long Term	2.33	ACUITE D (Assigned)
	Cash Credit	Long Term	6.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE D (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE D (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B/ Stable (Upgraded from ACUITE D)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.33	ACUITE D (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Upgraded from ACUITE D)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Upgraded ACUITE D)
Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	2.33	ACUITE B/ Stable (Assigned)

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About Acuité Ratings & Research:

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