

Press Release

Eco Lite Technologies

July 25, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 16.33 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable (Upgraded from ACUITE B)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) from **ACUITE B** (**read as ACUITE B**) and reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 16.33 crore bank facilities of ECO LITE TECHNOLOGIES (ELT). The outlook is '**Stable**'.

The upgrade is on the account of improvement in ELT's business risk profile with continuous client addition and its ability to maintain its financial risk profile at moderate level. The revenue of the firm has grown at a CAGR of 41.30% over three years to Rs. 50.32 in FY2019 (Provisional) from Rs. 40.11 in FY2018 and Rs. 30.35 crore in FY2017.

Established in 2010, Eco Lite Technologies (ELT) is a Gurgaon based partnership firm engaged in manufacturing of LED lighting products and trading of solar lighting products. The firm has its manufacturing unit located in Manesar, Gurgaon. ELT is promoted by Mr. Amit Gupta, Mrs. Rachna Arora and Mr. Rishi Vani. It has operating capacity of 1 million bulbs and 50 thousand street lights per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ELT to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

ELT was registered as a partnership firm in 2010, and is based in Manesar, Gurgaon. The partners of the firm Mr. Amit Gupta, Mrs. Rachna Arora, Mr. Gurpreet Singh and Mr. Rishi Vani each have an experience of over two decades in the electrical industry. The long track record of operations and experience of management has helped the firm develop healthy relationships with its customers and suppliers. Acuité believes that ELT will sustain its existing business profile backed by established track record of operations and experienced management.

- **Average financial risk profile**

ELT's financial risk profile remained average marked by average net worth, moderate debt protection metrics and high gearing. The net worth of the firm stood at Rs.12.05 crore as on 31 March 2019 (Provisional) as against Rs.11.94 crore as on 31 March 2018. The gearing level (debt-equity) stood stable at 1.18 times as on 31 March 2019 (Provisional) as against 1.00 time as on 31 March 2018. The total debt of Rs.14.26 crore as on 31 March 2019 (Provisional) consists of long term debt of Rs.1.66 crore, unsecured loan from promoters of Rs.3.69 crore and working capital borrowings of Rs.8.91 crore. Debt protection metrics stood moderate marked by interest coverage ratio (ICR) of 2.50 times in FY2019 (Provisional) as against 2.61 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.13 times in FY2019 (Provisional) and 0.20 times in FY2018. Debt to EBITDA stood at 4.58 times in FY2019 (Provisional) as against 3.15 times in FY2018. Acuité believes that the financial risk profile of the firm is expected to remain average backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

- **Improved scale of operations and profitability**

Operating income stood at Rs.50.32 crore in FY2019 (Provisional), Rs. 40.11 crore in FY2018 and Rs.30.35 crore in FY2017. Operating income grew at a CAGR of 41.30 percent for the period from FY2016 to FY2019. Further operating margin in FY2019 stood at 6.07 percent as compared to 8.97 percent in the previous year. Fall in the operating margins is on the account of reduction in manufacturing operations and increase in trading of solar lighting products.

Weaknesses

- **Working capital intensive nature of operations**

Operations of ELT are working capital intensive marked by Gross Current Asset (GCA) of 204 days in FY2019 (Provisional) as compared to 225 days in FY2018. The current ratio of the firm stood at 1.39 times as on 31 March, 2019 (Provisional) as against 1.62 times as on 31 March, 2018. Acuité believes that the working capital operations of ELT will continue to remain intensive on account of level of inventory maintained.

Liquidity position

ELT has average liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 1.87 crore for FY2019 (Provisional) while it had maturing debt obligations of Rs. 0.06 crore for the period. The cash accruals of ELT are estimated to remain in the range of around Rs. 2.66 crore to Rs. 3.68 crore during 2020-22 against repayment obligations ranging from Rs.0.15 crore to Rs.1.14 crore. The firm's working capital operations are intensive marked by 204 gross current asset (GCA) days for FY2018. ELT maintains cash and bank balances of Rs. 0.02 crore as on 31 March 2018. The current ratio stands at 1.62 times as on 31 March 2018. Acuité believes that the liquidity of the firm is likely to remain average over the medium term on account of high cash accrual against relatively low major debt repayments over the medium term.

Outlook: Stable

Acuité believes that ELT will maintain a stable outlook on account of experienced management, average financial risk profile and steady increase in revenues and profitability. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	50.32	40.11	30.35
EBITDA	Rs. Cr.	3.06	3.60	2.64
PAT	Rs. Cr.	1.54	2.09	0.90
EBITDA Margin	(%)	6.07	8.97	8.71
PAT Margin	(%)	3.07	5.21	2.96
ROCE	(%)	11.11	16.15	13.99
Total Debt/Tangible Net Worth	Times	2.15	1.82	5.07
PBDIT/Interest	Times	2.18	2.29	1.54
Total Debt/PBDIT	Times	4.58	3.15	5.29
Gross Current Assets (Days)	Days	204	225	310

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jun-2018	Cash Credit	Long Term	INR 6.00	ACUITE B / Stable (Upgraded From ACUITE D)
	Term Loan	Long Term	INR 2.33	ACUITE D (Withdrawn)
	Letter of Credit	Short Term	INR 4.00	ACUITE A4 (Upgraded from ACUITE D)
	Bank Guarantee	Short Term	INR 4.00	ACUITE A4 (Upgraded from ACUITE D)
	Proposed Cash Credit	Long Term	INR 2.33	ACUITE B (Assigned)
17-May-2017	Term Loan	Long Term	INR 2.33	ACUITE D (Assigned)
	Cash Credit	Long Term	INR 6.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	INR 4.00	ACUITE D (Assigned)
	Bank Guarantee	Short Term	INR 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+/ Stable (Upgraded from ACUITE B)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.33	ACUITE B+/ Stable (Upgraded from ACUITE B)

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About Acuité Ratings & Research:

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