

Press Release

Eco Lite Technologies

October 07, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) and the 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**'.

Established in the year 2010, ELT is a Gurgaon-based partnership firm engaged in manufacturing of LED 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. The firm has an operating capacity of 1 million bulbs and 50 thousand street lights per month. The firm caters to reputed clientele like Crompton Greaves, Orient Electric and L&T among others.

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 operation and experienced management**

ELT was established in the year 2010. The partners of the firm have an experience of over a decade in the aforementioned industry. The extensive experience of the partners has helped the firm to maintain a healthy relationship with its customers and suppliers. Acuité believes that the firm will sustain its existing business profile backed by an established track record of operations and experienced management.

Weaknesses

- **Working capital management is intensive in nature**

ELT's working capital operation is intensive in nature as it is reflected by its gross current asset (GCA) days of around 219 days (Prov.) in FY2020 as against 171 days in FY2019. The working capital cycle days stood at 152 days (Prov.) in FY2020 as against 108 days in FY2019. The inventory holding period has increased to 172 days (Prov.) as on 31 March, 2020 from 136 days as on 31 March, 2019. Due to COVID-19, the firm was unable to execute the order, which led to an increase in the inventory of the finished product. ELT has receivable days of 41 (Prov.) as on 31 March, 2020 as against 27 days as on 31 March, 2019. Irregularities in payment along with longer payment term have resulted in accumulated receivables of Rs.5.47crore (Prov.) as on 31 March, 2020. On the other hand, the firm has a credit payment of 61 days (Prov.) as on 31 March, 2020 as against 55 days as on 31 March, 2019 which supported the firm to some extent. As a result, the bank limit is fully utilized for eight months ended August, 2020. Acuite expects the working capital management to remain intensive over the medium term on account of a high level of inventory maintained.

• Average Financial Risk Profile

ELT financial risk profile is average marked by moderate net worth, low gearing and modest debt protection metrics. The firm's net worth is moderate and is estimated at around Rs.17.57crore (Prov.) as on March 31, 2020 as against Rs.15.81crore as on March 31, 2019. The net worth levels have seen improvement in FY2020 due to the infusion of capital by the partners. The gearing is low at around 0.79 times (Prov.) as on March 31, 2020 as against 0.67 times as on March 31, 2019. As on March 31, 2020, total outside liabilities to tangible net worth (TOL/TNW) levels stand at 1.23 times (Prov.) as against 1.10 times as on March 31, 2019. The firm, on the other hand, generated cash accruals of Rs.0.45crore (Prov.) in FY2020 as against Rs.1.89crore in FY2019.

The revenue of the firm has declined by around 3.26 percent to Rs.48.70crore (Prov.) in FY2020 from Rs.50.34crore in FY2019. EBITDA in absolute term has declined to Rs.1.87crore (Prov.) in FY2020 as against Rs.3.18crore in FY2019. The decline in EBITDA is due to an increase in the employee cost. Subsequently, the PAT of the company has declined to Rs.0.11crore (Prov.) in FY2020 from Rs.1.60crore in FY2019. The operating margin has declined to 3.83 percent (Prov.) in FY2020 from 6.32 percent in FY2019. Subsequently, the PAT margin has declined to 0.22 percent (Prov.) in FY2020 from 3.17 percent in FY2019. The decline in the profitability level, coupled with a moderate debt level, has led to modest debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.03times (Prov.) and 1.31times (Prov.) respectively as against 0.18times and 2.38times in FY2019, respectively. The Debt-EBITDA ratio stands at 7.24time (Prov.) in FY2020 against 3.24 time in FY2019. Acuite believes that the financial risk profile of the firm is expected to remain average over the medium term due to pressure on operating performance.

Liquidity Position: Stretched

The firm has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.45crore (Prov.) in FY2020 against its repayment obligation in the range of Rs.0.10crore to Rs.0.40crore. The firm's working capital operations are intensive marked by the gross current asset (GCA) days of 219 days (Prov.) in FY2020 as against 171 days in FY2019. The bank limit is fully utilized for eight months ended August, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.08crore (Prov.) as on 31 March 2020. The current ratio of the firm stood at 1.67 times (Prov.) as on 31 March 2020 as against 1.53 times as on March 31, 2019. Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of low net cash accruals to its debt repayment obligation.

Rating Sensitivities

- Scaling up of operation while improving the profitability margin
- Significant improvement in the working capital management
- Further stretch in liquidity will impact the credit profile of the firm

Outlook: Stable

Acuité believes that ELT will maintain a stable outlook over the medium term backed by its experienced partners and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive', if the firm demonstrates significant improvement in the working capital operations while maintaining sustained growth in its revenues and operating margins from the current levels. Conversely, the outlook may be revised to "Negative", if the firm generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	48.70	50.34
PAT	Rs. Cr.	0.11	1.60
PAT Margin	(%)	0.22	3.17
Total Debt/Tangible Net Worth	Times	0.79	0.67
PBDIT/Interest	Times	1.31	2.38

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Jul- 2019	Cash Credit	Long Term	10.00	ACUITE B+/Stable (Upgraded from ACUITE B)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Cash Credit	Long Term	2.33	ACUITE B+/Stable (Upgraded from ACUITE B)
04-Jun- 2018	Cash Credit	Long Term	6.00	ACUITE B/Stable (Upgraded from ACUITE D)
	Term loan	Long Term	2.33	ACUITE D (Withdrawn)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Upgraded from ACUITE D)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Upgraded from ACUITE D)

	Proposed Cash Credit	Long Term	2.33	ACUITE B/Stable (Assigned)
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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE B+/ Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.33	ACUITE B+/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)

*Cash Credit of Rs.10.00crore includes sublimit of Letter of Credit to the extent of Rs.4.00crore

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About Acuité Ratings & Research:

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