

Press Release

Elektron Lighting Systems Private Limited

October 14, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.12 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 9.12 crore bank facilities of Elektron Lighting Systems Private Limited. The outlook is '**Stable**'.

Elektron Lighting Systems Private Limited (ELSPL), incorporated in 2001, is a New Delhi-based company led by Mr Vikas Nagpal and Mrs Anjana Nagpal. The company manufactures and supplies LED lights, street lights, tube lights and others. The group has bagged a tender of ~ Rs.315 crore for renovation and replacement of lights at Aurangabad.

Key Rating Drivers

Strengths

• Experienced management

The group benefits from the extensive experience of its promoter, Mr Vikas Nagpal and Mrs Anjana Nagpal who possess more than two decades of experience in the electrical engineering, procurement and construction industry.

• Comfortable financial riskprofile

The financial risk profile is moderate marked by moderate networth, comfortable gearing and healthy coverage indicators. The networth stood at Rs.15.21 crore (includes unsecured loan from Directors of Rs.1.98 crore) as on 31 March, 2017 (Provisional) as against Rs.14.36 crore (includes unsecured loan from Directors of Rs.1.42 crore) as on 31 March, 2016. SMERA has treated the unsecured loan from promoters as quasi equity as the promoters have confirmed that the amount will be maintained in the business over the medium term. The company reported comfortable gearing of 0.54 times as on 31 March, 2017 against 0.49 times in the previous year. The gearing of 0.54 times is due to networth of Rs.15.21 crore against the total debt of Rs.8.21 crore (includes short term working capital of Rs.8.21 crore) as on 31 March, 2017. Moreover, the interest coverage ratio stood moderate at 2.39 times and net cash accrual to total debt (NCA/TD) at 0.21 times in FY2016-17. The debt service coverage ratio (DSCR) stood at 2.36 times in FY2016-17. SMERA believes that any decline or non-improvement in debt protection metrics or/and increase in debt to equity ratio on account of large debt funded capex would be the key credit monitoring factor.

• Healthy order book

The group has bagged a tender of Rs.315 crore for the replacement of street lights under Built, Operate and transfer (BOT) for the next eight years with additional warranty of two years for Aurangabad city. This lends comfortable revenue visibility over the medium term. Also, the group has an additional order book of Rs15.00 crore from BSES for supply of cables and wires.

Weaknesses

- **Modest working capital cycle**

The group has working capital intensive operations with gross current assets (GCA) of 266 days in FY2016-17 and 263 days in FY2015-16. The high GCA days are evident from the debtor days of 115 in FY2016-17 and 125 in FY2015-16. The inventory days stood at 98 in FY2016-17 and 88 in FY2016-17.

- **Modest scale of operations**

The group has modest scale of operations with revenue of Rs.27.72 crore in FY2016-17 compared to Rs.26.85 crore in FY2015-16. SMERA expects the operating income to steadily improve over the medium term backed by the healthy order book.

Analytical Approach

To arrive at the ratings, SMERA has combined the business and financial risk profiles of ELSPL and Paragon Cable India (PCI), together referred to as the Elektron Group. The consolidation is in view of the significant operational synergies and common ownership. Further, both the companies have jointly bid for tender in Aurangabad (Maharashtra).

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the promoter's extensive experience and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while registering improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and liquidity position due to higher than expected working capital requirement.

About the Group

The group was established in 1991 with the establishment of Paragon Cable India as the flagship entity. Further in 2001, Elektron Lighting Systems Private Limited was incorporated. The group was promoted by Mr Vikas Nagpal and Mrs. Anjana Nagpal who possess experience of over two decades in the electrical engineering, procurement and construction industry. The group is engaged in the manufacturing of electrical component such as wires, cables, LED lights to name a few. Paragon Cable India, established in 1991 is a New Delhi-based partnership concern led by Partners, Mr. Vikas Nagpal and Mrs. Anjana Nagpal. The firm is engaged in the manufacturing of electrical wires and cables. Elektron Lighting Systems Private Limited (ELSP), incorporated in 2001, is a New Delhi-based company led by Mr Vikas Nagpal and Mrs Anjana Nagpal. The company manufactures and supplies LED lights, street lights, high way lights, panel lights, tube lights etc. The group has bagged a tender of ~ Rs.315 crore for renovation and replacement of lights in Aurangabad city.

About the Rated Entity - Key Financials

For FY2016-17, the company reported PAT (profit after tax) of Rs.1.53 crore on operating income of Rs.27.72 crore compared to PAT of Rs.1.37 crore on operating income of Rs.26.85 crore in FY2015-16. The net worth stood at Rs.15.21 crore as on 31 March, 2017 against Rs.14.36 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Consolidation Of Companies - <https://www.smerra.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	3.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA BB / Stable

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ABOUT SMERA

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