

Press Release

VIRTUOSO OPTOELECTRONICS PRIVATE LIMITED

February 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) on the Rs. 12.50 crore bank facilities of VIRTUOSO OPTOELECTRONICS PRIVATE LIMITED. The outlook is '**Stable**'.

Virtuoso Optoelectronics Private Limited, incorporated in September, 2015 is engaged in manufacturing LED lamps, tubes and bulbs catering to the lightning industry with some of the marquee customers such as Panasonic, Polycab, Starlite Lighting Limited, etc. VOPL is led by Mr. Sukrit Bharti and Mr. Vishruth Bharati, who comes from a family with over four decades of experience in the fluorescent lightning, lightning appliances and similar line of business.

Key Rating Drivers

Strengths

- **Experienced management in manufacturing**

The company is led by Mr. Sukrit Bharti and Mr. Vishruth Bharati, with family engaged in the lightning industry ranging from fluorescent lightning, lightning appliances, trading, etc. The company benefits from the relationship of the promoter family with national and international customers and suppliers in the lightning industry.

- **Strong Customer Base**

The company enjoys strong customer base with clients such as Panasonic, Polycab, Great White Electricals, etc. in the Original Device Manufacturer (ODM) segment while company has also received Government orders from Haryana Govt. to the tune of ~Rs. 20-30 cr per year from next fiscal. The company is expecting to further increase the contribution from project segment at ~30% of the total sales while the rest would be by ODMs.

Weaknesses

- **Limited record of operations**

The operations of the company began in Sep, 2015 with sales of Rs. 23.27 cr in FY17. During current year revenues stood at Rs. 40 cr for the 7 month period which is expected to improve by FY19. The operations of the company are in the initial stages with full capacity production yet to be seen.

- **Moderate Working capital cycle**

The company's inventory days are at 38 days as on Mar 31, 2017 but the same is expected to go up on account of over 350 SKUs being produced and thus high electrical components are required to be stocked. The company gets a credit period of 30-60 days from the suppliers while some components are being paid on delivery. In terms of receivables, the company will have shorter payment cycle from ODMs compared to that of customers in project segment.

- **Low profit margins**

VOPL reported operating margins of 3.39% in FY17 and same is expected to low at ~5% as a result of commoditised nature of business of LED manufacturing. Also, the management is dealing with some of the

big players in the lightning industry further impacting the pricing power. Further, the focus in the initial years would be on improving volumes and optimising supply chain.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes VOPL will maintain a stable business risk profile in the medium term on account of its experienced management and healthy order book. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Group

NA

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.27	0.00	0.00
EBITDA	Rs. Cr.	0.79	0.00	0.00
PAT	Rs. Cr.	0.34	0.00	0.00
EBITDA Margin	(%)	3.39	0.00	0.00
PAT Margin	(%)	1.46	0.00	0.00
ROCE	(%)	23.93	0.00	0.00
Total Debt/Tangible Net Worth	Times	3.13	0.00	0.00
PBDIT/Interest	Times	2.60	0.00	0.00
Total Debt/PBDIT	Times	6.29	0.00	0.00
Gross Current Assets (Days)	Days	110	0	0

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

NA

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.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	12.50	SMERA BB- / Stable
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ABOUT SMERA

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