

Press Release

Indiana Led Lighting LLP

July 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 7.50 crore bank facilities of Indiana Led Lighting LLP. The outlook is '**Stable**'.

The Pune-based, Indiana Led Lighting LLP (ILL) was established in 2017 as a partnership firm by Mr. Sudhir Udhavrao Deshkhaire and family. ILL manufactures and distributes the Light Emitting Diode (LED) lights. The manufactured product finds application in outdoor, indoor and industrial areas. The entity started commercial production in October 2017 with installed capacity of 150 tonnes per month. Moreover, ILL sells manufactured product portfolio under its own brand 'INDIANA'.

Key Rating Drivers

Strengths

- **Technically qualified promoter and reputed clientele**

The promoter Mr. Sudhir Udhavrao Deshkhaire is an engineering graduate and has experience of five years in the lighting segment. His knowledge base has enabled ILL to successfully ramp up its operations during the start-up phase and securing orders from reputed market players such as Syska Led Lights, Soril Infra Resources Limited, VIN Semiconductor Private limited to name a few. Acuité believes ILL's business risk profile will remain stable backed by its ability to provide quality products on time.

Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs.2.18 crore as on March 31, 2018 (Provisional). The gearing (debt-to-equity ratio) stood at 1.34 times as on March 31, 2018 (Provisional). The total debt of Rs.2.92 crore as on March 31, 2018 (Provisional) consists of working capital borrowings of Rs.1.98 crore and term loan of Rs.0.94 crore. The interest coverage ratio (ICR) stood at 3.66 times for FY2018 (Provisional). The net cash accruals to total debt (NCA/TD) stood at 0.16 times in FY2018 (Provisional).

- **Working capital intensive operations**

The firm has intensive working capital cycle marked by Gross Current Assets (GCA) of 161 days in FY2018 (Provisional). This is on account of high inventory of 88 days in FY2018 (Provisional) and debtor of 27 days in FY2018 (Provisional). The GCA days are also dominated by high collection period of 60 days in FY2018 (Provisional). The cash credit utilisation is ~93 percent for six months ended June 31 2018.

- **Highly Competitive market**

ILL will face competition from various reputed players in the LED Lighting Segment such as Philips, Havells, Wipro, Bajaj, Eveready to name a few. However none of the companies are engaged in manufacturing of LED in India.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ILL to arrive at the rating.

Outlook: Stable

Acuité believes that ILL will maintain a 'Stable' outlook over the medium term on account of the technical experience of its promoter. The outlook may be revised to 'Positive' in case of healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	11.51	0.00	0.00
EBITDA	Rs. Cr.	0.73	0.00	0.00
PAT	Rs. Cr.	0.18	0.00	0.00
EBITDA Margin	(%)	6.31	0.00	0.00
PAT Margin	(%)	1.60	0.00	0.00
ROCE	(%)	17.37	0.00	0.00
Total Debt/Tangible Net Worth	Times	2.48	0.00	0.00
PBDIT/Interest	Times	3.66	0.00	0.00
Total Debt/PBDIT	Times	4.01	0.00	0.00
Gross Current Assets (Days)	Days	161	0.00	0.00

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	7.50	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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