



Press Release

HQ Lamps Manufacturing Company Pvt.Ltd

April 22, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	88.48 (enhanced from Rs. 81.00 Crore)	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	Reaffirmed/Assigned	Simple
Short Term Bank Facilities	67.22 (Enhanced from Rs. 59.89 Crore)	IVR A3+	IVR A3+	Reaffirmed/Assigned	Simple
Total	155.70	Rupees One Hundred Fifty Five Crores & Seventy Lakhs only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed/assigned the long/Short Term rating to IVR BBB with a Stable outlook & IVR A3+ for the bank loan facilities of HQ Lamps Manufacturing Company Pvt. Ltd .

The reaffirmation/assignment of the ratings to the bank facilities of HQ Lamps Manufacturing Company Pvt. Ltd factors in the Improved scale of operations, expected reversal of declining trend in total operating income, satisfactory financial risk profile. These strengths are underpinned by extensive experience of the promoters, customized solution-based lighting provider. Further, the ratings are constrained by working capital intensive nature of operations, Susceptible to cyclicity inherent in end-user markets and disruptive technological change, competitive nature of the industry.



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The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the HQ Lamps Manufacturing Company Pvt. Ltd business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the consolidated audited financial results of HQ Lamps Manufacturing Company Pvt. Ltd & Goel Lights up to FY23(A), three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters

The group consists of two entities i.e. HQ Lamps Manufacturing Co Pvt Ltd and Goel Lightings (a sole proprietorship concern owned by Mr. Rakesh Goel). HQ Manufacturing Co Pvt Ltd has been promoted by Mr. Rakesh Goel & Mr. Mukesh Goel. Benefits from over three-decade-



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long experience of the group's promoters in the industry, their strong understanding of the market dynamics, and healthy relationships with suppliers and customers should continue to support the business.

Established customer base and wide range of products

HQ group caters to premium customer in India such as Syska, Phillips, Luminous, Surya, Orient, Finolax, Usha, Poly cab, HPL, Havells, Eon Electric Ltd, Ledvance India Pvt. etc. Apart from this, group is also engaged to cater the institution requirement such as EESL, GMR etc. HQ group manufactures more than 50 types of LED's lights in the product category of Bulbs, Tube lights, False Ceiling lights (Panel Lights, Down Lights, Cob Lights), Surface Lights, Street lights and Flood lights. The range of products varies from 0 watt to 500 watts. The group has a diversified customer base along wide range of products which results in longstanding relationship with customers leading to repeat orders.

Moderate growth in total operating income and profitability margins

The total operating income increased from Rs. 794.80 Cr in FY22 to Rs. 817.46 Cr in FY23 evidencing a growth of ~2.82% in FY23. The TOI has increased because of increase in revenue of HQ Lamps Manufacturing Co. Pvt. Ltd. in FY23. The profitability margins have remained flat from 1.82% in FY22 to 1.82% in FY23 however the EBITDA margins marginally improve from 4.95% in FY22 to 5.55% in FY23.

Key Rating Weaknesses

Moderate financial risk profile:

The net worth is estimated at Rs 88.57 crores with total outside liabilities to adjusted net worth (TOL/ANW) ratio high at 3.86 times, as on March 31, 2023. Gearing and TOL/ANW ratios are expected to improve over the medium term with repayment of debt and steady accretion to reserve. Currently, the overall gearing stood moderate at 1.18x in FY23. Debt protection metrics are moderate with Total Debt to GCA of 5.06x in FY23 as against 4.79x in FY22. The



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debt service coverage indicator such as ISCR and DSCR stood at 5.20x & 1.90x in FY23 as against 3.71x & 1.79x in FY22.

Susceptible to cyclicalities inherent in end-user markets and disruptive technological changes

The demand for lighting products, to some extent, is driven by real estate/construction activity, exposing the company's operations to cyclicalities inherent in the end-user market. Further, the company's business remains susceptible to the risk of disruptive technological changes because of the growing focus on energy conservation and frequent introduction of more energy-efficient products. Nonetheless, healthy growth prospects for LED lighting market, given the ongoing transition from traditional lamps and CFL based products to LED-based products, the Government's initiatives to promote energy-saving products and high expenditure on advertisement to increase awareness about LED products, are also expected to support the company's revenue growth.

Exposure to intense competition

Intense competition, due to the presence of a large number of organised and unorganized players in the segment, determines the negotiating power with suppliers and customers and the group's ability to withstand business downturns.

Analytical Approach: Consolidated

A consolidated approach is taken, by consolidating the financial profiles of HQ Lamps Manufacturing Co. Private Limited and Goel Lightings collectively referred as HQ Group. The consolidation is in the view of similar line of business, common management, and in between strong operational and financial linkages.

Applicable Criteria :

[Rating Methodology for Manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)
[Policy on default recognition](#)



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Liquidity – Adequate

The group has adequate liquidity position supported by reducing debt levels and healthy cash accruals. The group has Gross Cash Accruals of Rs.21.54 Crores in FY24 as against current maturities of long-term borrowings amounting to Rs. 7.25 Crores. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY25-FY26. The overall working capital limits of the company are utilized to the extent of ~96.37% during the past 12 months ended Jan 2024 indicating minimal liquidity buffer. The current ratio reported by the group is 1.24x in FY23 and expected to be at similar levels during the projected period.

About the Company

HQ group is a pioneer & prestigious name to reckon with in the manufacturing of admirable range of LED Lightings in India. Group consists of two entities i.e. HQ Lamps Manufacturing Co Pvt Ltd and Goel Lightings (a sole proprietor ship concern owned by Mr. Rakesh Goel). HQ Manufacturing Co Pvt Ltd has been promoted by Mr. Rakesh Goel & Mr. Mukesh Goel. Promoters have got the experience of 35 year in Business.

HQ group manufactures more than 50 types of LED's lights in the product category of Bulbs, Tube lights, False Ceiling lights (Panel Lights, Down Lights, Cob Lights), Surface Lights, Street lights and Flood lights. The range of products varies from 0 watt to 500 watts.

Financials (Consolidated):

	(Rs. crore)	
For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	794.80	817.46
EBITDA	39.35	45.36
PAT	14.48	14.87
Total Debt	92.42	104.71
Tangible Net worth*	78.14	88.57
EBITDA Margin (%)	4.95	5.55



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For the year ended* As on	31-03-2022	31-03-2023
PAT Margin (%)	1.82	1.82
Overall Gearing Ratio (x)	1.18	1.18

*as per Infomerics standards

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	499.99	559.20
EBITDA	25.88	33.05
PAT	9.63	10.89
Total Debt	72.59	85.08
Tangible Net worth*	72.31	83.02
EBITDA Margin (%)	5.18%	5.91%
PAT Margin (%)	1.92%	1.94%
Overall Gearing Ratio (x)	1.00x	1.02x

Status of non-cooperation with previous CRA : None

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 Dated : Feb 27, 2023	Date(s) & Rating(s) assigned in 2021-22 Dated : Dec 13, 2021
1	Term Loan	Long Term	33.48	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	-	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
2	Cash Credit	Long Term	55.00	IVR BBB /Stable Outlook	-	IVR BBB /Stable Outlook	IVR BBB- /Stable



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Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 Dated : Feb 27, 2023	Date(s) & Rating(s) assigned in 2021-22 Dated : Dec 13, 2021
				(Pronounced as IVR Triple B with stable Outlook)		(Pronounced as IVR Triple B with stable Outlook)	Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
3	BG/LC	Short Term	66.12	IVR A3+		IVR A3+	IVR A3
4	Forward Cover	Short Term	1.10	IVR A3+		IVR A3+	IVR A3

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	33.48				IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)
Long Term Bank Facilities – Cash Credit	55.00				IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)
Short Term Bank Facilities – LC/BG	66.12				IVR A3+



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Short Term Bank Facilities – Forward Cover	1.10				IVR A3+
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Annexure 2: List of companies considered for consolidated analysis:

S.No	Group Companies	Extent of Consolidation
1	HQ lamps Manufacturing Company Pvt. Ltd	100%
2.	Goel Lightings	100%

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-HQ-lamps-22apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com