



## Press Release

HQ Lamps Manufacturing Company Pvt. Ltd.

December 13, 2021

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Rating Action
1.	Long Term Bank Facilities	61.78	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assign
2.	Short Term Bank Facilities	59.19	IVR A3 (IVR A Three)	Assign
	<b>Total</b>	<b>120.97</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of HQ Lamps Manufacturing Company Private Limited derive comfort from experienced promoters, established customer base and wide range of products and moderate growth in total operating income and profitability margins. However, these factors are offset by moderate financial risk profile, susceptibility to inherent in end-user markets and technological changes and exposure to competition in the industry.

### 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.



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- 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 proprietor ship 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-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 of the group increased from Rs. 648.67 Cr in FY20 to Rs. 715.29 cr in FY21 evidencing a growth of ~10.27% in FY21. The TOI has increased because of increase in revenue of HQ Lamps Manufacturing Co. Pvt. Ltd. in FY21. The profitability margins have improved with an increase in EBITDA margin from 2.52% in FY20 To 4.94% in FY21 and increase in PAT margin from 1.17% in FY20 to 1.44% in FY21.

#### Key Rating Weaknesses



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### **Moderate financial risk profile:**

The network is estimated at Rs 64.76 crores with total outside liabilities to adjusted net worth (TOL/ANW) ratio high at 3.90 times, as on March 31, 2021. 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 1.47x in FY21. Debt protection metrics are moderate with Total Debt to GCA of 6.29x in FY21 as against 8.45x in FY20. However, the coverage ratios has shown improvement with ICR and DSCR of 3.23x & 1.72x in FY21 as against 1.45x & 1.64x in FY20.

### **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.



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List of entities considered for consolidation is furnished in Annexure II.

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **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.15.14 Crores in FY21 as against current maturities of long-term borrowings amounting to Rs. 6.93 Crores. Further, the group's liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. The overall working capital limits of the group are utilized to the extent of ~93.00% during the past 12 months ended July 2021 indicating minimal liquidity buffer. The current ratio reported by the group is 1.40x in FY21 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)**



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For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	648.67	715.29
EBITDA	16.36	35.35
PAT	7.83	10.32
Total Debt	103.92	95.28
Tangible Net worth	55.25	64.76
EBITDA Margin (%)	2.52	4.94
PAT Margin (%)	1.17	1.44
Overall Gearing Ratio (x)	1.88	1.47

\* Classification as per Infomerics' standards

### Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	330.48	413.09
EBITDA	23.71	23.87
PAT	5.48	7.67
Total Debt	84.91	73.53
Tangible Net worth	44.64	62.89
EBITDA Margin (%)	7.18	5.78
PAT Margin (%)	1.65	1.85
Overall Gearing Ratio (x)	1.90	1.17

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating (December 2021)	Date(s) & Rating(s) assigned in 2020-21)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank	Long Term	26.78	IVR BBB-/ Stable	-	-	-



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	Facilities- Term Loan						
2.	Fund Based Bank Facilities- Cash Credit	Long Term	35.00	IVR BBB-/ Stable	-	-	-
3.	Non-Fund Based Bank Facilities- BG/ILC/FLC	Short Term	35.00	IVR A3	-	-	-
4.	Non-Fund Based Bank Facilities- One time BG	Short Term	24.19	IVR A3	-	-	-

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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	-	-	-	26.78	IVR BBB-/Stable
Long Term Bank Facilities- Cash Credit	-	-	-	35.00	IVR BBB-/Stable
Short Term Non-BG/ILC/FLC	-	-	-	35.00	IVR A3
Short Term Non-One Time BG	-	-	-	24.19	IVR A3

### Annexure 2: List of companies considered for consolidated analysis:

Sr No.	Group Companies	Extent of Consolidation
1.	Goel Lightings	100%

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/HQ-Lamps-Lenders-dec21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	BG/ILC/FLC	Simple

**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](http://www.infomerics.com).