



Press Release

HQ Lamps Manufacturing Company Pvt. Ltd

Feb 27, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	81.00*	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)	Upgraded	Simple
Short Term bank Facilities	59.89	IVR A3+	IVR A3	Upgraded	Simple
Total	140.89 (Rupees One Hundred Forty Crores and Eighty Nine Lakhs only.)				

*Includes Proposed Loan of Rs 6.00 Crore

Details of Facilities are in Annexure 1

Detailed Rationale

The rating upgraded to the bank facilities of HQ Lamps Manufacturing Company Private Limited derives strength from an extensive experience of the promoters in the line of activity and a healthy profitability & financial risk profile of the Company. The Rating also takes into account the Company's strength being a customised solution-based lighting provider and the expected substantial improvement in the scale of operations in FY22 & beyond. However, these strengths are partially offset by working capital intensive nature of operations, susceptible to cyclicity inherent in end-user markets and disruptive technological changes and Competitive nature of the Industry.

Key Rating Sensitivities:

Upward Factors



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- 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-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 LEDS'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.



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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. 729.19 Cr in FY22 to Rs. 794.80 Cr in FY22 evidencing a growth of ~9.03% in FY22. The TOI has increased because of increase in revenue of HQ Lamps Manufacturing Co. Pvt. Ltd. in FY22. The profitability margins have improved with an increase in PAT margin from 1.73% in FY21 To 1.82% in FY22 however the EBITDA margins marginally decrease from 5.09% in FY21 to 4.95% in FY22.

Key Rating Weaknesses

Moderate financial risk profile:

The networth is estimated at Rs 78.14 crores with total outside liabilities to adjusted networth (TOL/ANW) ratio high at 4.21 times, as on March 31, 2022. 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 FY22. Debt protection metrics are moderate with Total Debt to GCA of 4.79x in FY22 as against 5.50x in FY21. The debt service coverage indicator such as ICR and DSCR stood at 3.71x & 1.79x in FY22 as against 3.15x & 2.08x in FY21.

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



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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](#)

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.25.65 Crores in FY22 as against current maturities of long-term borrowings amounting to Rs. 6.80 Crores. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23. The overall working capital limits of the company are utilized to the extent of ~96.37% during the past 12 months ended Oct 2022 indicating minimal liquidity buffer. The current ratio reported by the group is 1.34x in FY22 and expected to be at similar levels during the projected period.

About the Company



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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	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	729.19	794.80
EBITDA	37.08	39.35
PAT	12.65	14.48
Total Debt	91.70	92.42
Tangible Net worth*	67.06	78.14
EBITDA Margin (%)	5.09	4.95
PAT Margin (%)	1.73	1.82
Overall Gearing Ratio (x)	1.37	1.18

*as per Infomerics standards

Financials (Standalone):

	(Rs. crore)	
For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	413.26	499.99
EBITDA	23.59	25.88
PAT	7.81	9.63
Total Debt	73.52	72.59
Tangible Net worth*	62.68	72.31
EBITDA Margin (%)	5.71	5.18
PAT Margin (%)	1.88	1.92
Overall Gearing Ratio (x)	1.17	1.00

Status of non-cooperation with previous CRA : Nil



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Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 Dated : Dec 13 th , 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	46.00*	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	35.00	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)		-
3.	BG/LC/FLC	Short Term	59.19	IVR A3+	IVR A3		
4	Forward Cover	Short Term	0.70	IVR A3+	IVR A3		

*Includes Proposed Loan of Rs 6.00 Crore

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).



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Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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 – Cash Credit	35.00				IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)
Long Term Bank Facilities – Term Loan	46.00*				IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)
Short Term Bank Facilities – LC/BG/FLC	59.19				IVR A3+
Short Term Bank Facilities – Forward Cover	0.70				IVR A3+



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*Includes Proposed Loan of Rs 6.00 Crore

Annexure 2: List of companies considered for consolidated analysis:

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-HQlamps-feb23.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