



## Press Release

### R K Lighting Private Limited (RKLPL)

December 17, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Facilities	42.50	IVR BB+/ Negative (IVR Double B Plus With Negative Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Downgraded	<b>Simple</b>
Short Term Facilities	15.50	IVR A4+ (IVR A Four Plus)	IVR A3 (IVR A Three)	Downgraded	
<b>Total</b>		<b>58.00</b> <b>(Rupees Fifty-Eight Crores Only)</b>			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has downgraded its rating assigned to the bank facilities of R K Lighting Private Limited (RKLPL) due to weakening of its financial risk profile with net loss reported in FY24 and likelihood of FY25 performance also remaining subdued based on half yearly results. The PAT losses in FY24 have caused a significant decline in the tangible networth, which along with the increased debt levels as at end FY24, has led to a spurt in overall gearing.

The ratings derive strength from its diverse product offerings under lighting, reputed clientele, competitive cost structure, extensive experience of management and demonstrated support by resourceful promoters. However, the rating is constrained by intense competition and low bargaining power against large OEMs, high revenue dependence on few key clients and moderate financial risk profile.

The negative outlook reflects uncertainty with respect to extent of recovery in the next one to two years. In case the company is unable to post a strong recovery in topline and margins from H2FY25 onwards, the key credit ratios would remain subdued for an extended time.

#### Key Rating Sensitivities:



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### Upward Factors

- Substantial & sustained improvement in revenue & profitability leading to improvement in debt protection metrics.

### Downward Factors

- Any further decline in revenue & profitability leading to further weakening of debt protection metrics.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Diverse products offering under lighting.**

The company's product offering includes domestic LED Batten, LED Panels, LED tile, LED tube, etc. The major revenue for the company is derived from LED battens (similar to tubelights but are suited for accentuating lighting in specific areas) followed by LED Panels & engines (an LED light engine is a compact circuit board that contains LED diodes, an LED driver, and other components that allow it to produce light). Further, the company has a dedicated R&D team to better its product offering with regular technological upgrades.

- **Reputed clientele**

The company's customer base consists of reputed large private companies engaged in business of electrical equipment and electrification business as evident from the order book of the company. Some of the reputed clients of the company are Crompton, Bajaj, Philips, Havells, Wipro, Syska, Orient Electric, Panasonic, Ledvance, Great White, GM, Jaquar, Polycab etc. The repeat orders received from its clientele validates its capabilities. Though RKLPL has low bargaining power with its customers, majority of its clientele has sound credit risk profile, which reduces the counter party payment risk to a certain extent.

- **Competitive cost structure**



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The company is able to maintain a competitive cost structure, because of which it is a preferred vendor to reputed LED bulb players in the domestic market. It enjoys logistical advantages from the location of its manufacturing facilities in Daman, Gujarat in terms of access to its client base in Western India as well as the ease of import of raw materials given the proximity to the ports. The company's major raw material is imported from China.

- **Extensive experience of management**

RKLPL was established in 1982 by Mr. Suresh Khandelwal. Till 2013, the company had arrangement with Crompton Greaves for the lighting and fittings business. In 2014, company decided to enter into manufacturing LED products by tying up with Original Equipment Manufacturers (OEMs) of LED products. Over the years, the company has grown from serving two OEMs to various OEMs. The company currently is managed by director Mr. Amit Khandelwal. The promoters are well assisted by experienced management team to manage day-to-day operations.

- **Demonstrated supported by resourceful promoters**

Despite net loss reported in FY24, the company was able to meet scheduled repayments on timely basis due to promoters' contribution of amounting to Rs. 31.62 crore by way of interest free unsubordinated loans. These funds were also used to support working capital requirements.

### Key Rating Weaknesses

- **Intense competition and low bargaining power against large OEMs**

The ever-increasing demand for high quality LED lights has encouraged manufacturers in India to enter into the business of manufacturing of lightings, fittings and allied components. There is increase in competition coupled with existence of large number of small and medium contract manufacturers and entry of new players. Further, players like RKLPL have limited bargaining power against OEMs

- **High revenue dependence on a few key clients**

The company has high dependency on top 5 clients contributing to 66% of income in FY23 and 64% in FY24 which includes its group company Cromlux Engineers contributing to



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19% in FY23 and 17% in FY24 of total sales. The major sales was to Syska Led in FY23 contributing to 18% of total sales amounting to Rs.146.01 crore which decreased in FY24 and stood at 8% amounting to Rs. 48.83 crore. Reduction in sales to Syska was one of the key reasons for revenue decline in FY24.

- **Moderation in financial risk profile**

The risk profile of the company moderated in FY24 due to decrease in revenue and profitability and weakening of debt protection metrics. TOI of the company declined to Rs. 577.27 crore in FY24 from Rs.817.17 crore in FY23 due to decline in raw material prices by around 15-20% which brought down the realisations and hence the revenues, and also sale of products to Syska Led was stopped in mid of FY24. Consequently, the EBIDTA and PAT declined to Rs. 21.25 crore and Rs. -34.71 crore in FY24 as against Rs. 41.43 crore and Rs. 19.14 crore in FY23. The overall gearing ratio stood at 4.44x as on March 31, 2024, as against 0.84x as on March 31, 2023, and TOL/TNW stood at 14.79x as on March 31, 2024, as against 4.95x as on March 31, 2023. The increase in gearing was on account of increase in total debt which includes unsecured unsubordinated loans from promoters/directors which were infused in FY24 to meet the debt obligations, accompanied by decrease in TNW due to net losses. Funds infusion by promoters was necessitated by the fact that DSCR was below unity and the company had generated net loss in FY24, thereby requiring external funds for supporting working capital requirements and repayments. The Interest coverage declined and stood at 0.94x in FY24 as against 3.01x in FY23.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)



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[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

### **Liquidity – Stretched**

RKLPL required support from promoters in FY24 for funding working capital and debt servicing, in the form of unsecured loans of Rs.31.62cr. There are no major capex projects planned. In order to meet debt servicing requirements in FY25-FY27 period (scheduled repayments are in the ~Rs.3cr-Rs.5cr range annually) from operating cash flows, the company would have to demonstrate significant turnaround in its operations.

### **About the Company**

R K Lighting Pvt Ltd (RKLPL) which is part of the RK Group is engaged in manufacturing of various LED products. It has registered office situated in Mumbai and has factories situated at Daman having state of the art machines, both imported and domestic for manufacturing LED lighting equipment. It is predominantly into manufacturing LED Battens (similar to LED tube lights but LED batten lights are better for task lighting or accentuating specific areas, while LED tube lights are ideal for general lighting) but at the same time also manufactures LED Panel, LED Downlight, Backlight Tile, LED Tube, LED Fittings, LED PCB Assembly etc.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	817.17	577.27
EBITDA	41.43	21.25
PAT	19.14	-34.71
Total Debt	45.58	92.00
Tangible Net Worth	54.02	20.71
EBITDA Margin (%)	5.07	3.68
PAT Margin (%)	2.34	-6.00
Overall Gearing Ratio (x)	0.84	4.44
Interest Coverage (x)	3.01	0.94

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (2023-2024)	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					Date (December 12, 2024)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Long Term Facilities-	Long Term	42.50	IVR BB+/ Negative	IVR BBB-/ Stable	-	-
2.	Proposed Long Term Facilities	Long Term	5.00	-	IVR BBB-/ Stable	-	-
3.	Short Term Facilities	Short Term	15.50	IVR A4+	IVR A3	-	-
4.	Proposed Short Term Facilities	Short Term	25.70	-	IVR A3	-	-

### Analytical Contacts:

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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 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.



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For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities	-	-	-	-	42.50	IVR BB+/ Negative
Short Term Bank Facilities	-	-	-	-	15.50	IVR A4+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-RKLPL-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	Consolidation/Combined Approach



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**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).

