

October 30, 2024

## Halonix Technologies Pvt. Ltd.: Ratings upgraded to [ICRA]A-(Stable)/[ICRA]A2+; Outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated	Current Rated	Rating Action
	Amount (Rs. crore)	Amount (Rs. crore)	
Long-term – Fund-based – Cash credit	125.00	125.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Positive); outlook revised to Stable from Positive
Long-term – Fund-based – Term Loan	0.05	0.00	-
Short-term – Non-fund based - Others	32.00	32.00	[ICRA]A2+; upgraded from [ICRA]A2
Long-term / Short-term – Unallocated	2.95	3.00	[ICRA]A- (Stable)/ [ICRA]A2+; upgraded from [ICRA]BBB+ (Positive)/ [ICRA]A2; outlook revised to Stable from Positive
<b>Total</b>	<b>160.00</b>	<b>160.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The upgraded ratings reflect the steady improvement in the operational and financial risk profile of Halonix Technologies Pvt. Ltd. (HTPL or the company) in FY2024 and ICRA's expectations of sustaining this trend in the near-to-medium term. This is supported by an adequate brand presence, strong distribution network and no major planned debt-funded capex. The entity reported an improvement in margins to 9.6% in FY2024 from 7.7% in FY2023 owing to the softening of prices of key raw materials and backward integration initiatives, resulting in higher in-house component manufacturing. The financial profile continues to be strong as characterised by a conservative capital structure (as reflected in a gearing, viz. total debt/ tangible net worth [TD/ TNW] of 0.2 times as on March 31, 2024), adequate liquidity profile and comfortable debt coverage metrics. The ratings continue to factor in professionally qualified promoters and the entity's management structure.

The ratings, however, continue to be constrained by the company's relatively moderate scale of operations, exposure to the intensely competitive domestic lighting industry and margin vulnerability to raw material price fluctuations. The ratings also consider the high working capital-intensive nature of the business on account of the elongated receivable turnover period and sizeable inventory holding requirement. Given the presence of several large and established players, the company's ability to garner a meaningful market share and reduce its dependence on the lighting segment remains a key rating monitorable. Additionally, the company would remain exposed to the risk of technological obsolescence associated with the industry.

The Stable outlook on the company's long-term rating reflects ICRA's expectation that the company will be able to maintain its credit profile on the back of its adequate brand presence and comfortable debt protection metrics, driven by the absence of any major debt-funded capex and improvement in operating margins.

### Key rating drivers and their description

#### Credit strengths

**Established brand and distribution network across India** – Launched in 2010 (as Pheonix Lamps Limited; later Halonix Limited, and eventually Halonix Technologies Pvt. Ltd., post the de-merger), HTPL's 'Halonix' brand has gained a good traction in the domestic market over the past decade. Further, the company has been in the domestic lighting industry for more than 25 years (earlier under PLL) and has established a strong distribution network with over 1,00,000 retail touch points across the country. This has helped it scale up volumes in its general lighting operations over the years and successfully launch new products. While the company has a pan-India presence, it enjoys a relatively stronger presence in the northern region, presenting growth

opportunities in other markets. Further, over the last decade, HTPL has established a fair presence through the institutional channel (contributing ~38% to HTPL's total revenues in FY2024), as it caters to bulk contracts for lighting projects for corporate as well as Government consumers.

**Professionally qualified management set-up** – HTPL was incorporated after an agreement to spin off and sell the general lighting division of Phoenix Lamps Limited (PLL; erstwhile Halonix Limited). In August 2013, PLL transferred its general lighting business to its subsidiary HTPL and sold it to Actis Capital affiliates. HTPL's ownership again changed hands in March 2016, when Actis Capital sold its stake to NewQuest Capital Partners (now TPG NewQuest Capital Partners), which currently holds the entire stake in the company. The fund's India operations are managed by Ms. Bharati Agarwal, who serves as the director of HTPL and a Principal of TPG NewQuest based in Singapore. She joined TPG NewQuest in 2016 and is responsible for sourcing, execution and portfolio management of investments in India and Southeast Asia. HTPL's operations are managed by a professional management led by Mr. Rakesh Zutshi (Managing Director), who has a significant experience in the domestic lighting industry.

**Healthy financial risk profile** – HTPL has maintained a comfortable capital structure, as reflected in a gearing (Total Debt/Tangible Net Worth) of 0.2 times as on March 31, 2024 (FY2023: 0.4 times), supported by modest term borrowing requirements, moderate reliance on working capital borrowings, given a reasonable credit period from its suppliers, and no dividend payouts in the past. Low reliance on debt and a healthy improvement in profitability helped the company further strengthen its debt coverage metrics in FY2024. This was reflected in an interest cover of 9.0 times (FY2023: 4.7 times) and total debt/operating profit of 0.7 times in FY2024 (FY2023: 1.5 times). The DSCR also stood comfortable at 4.3 times in FY2024 (FY2023: 3.3 times). The company's financial risk profile is expected to remain healthy, backed by improving margin levels and no major debt-funded capex in the medium term.

### Credit challenges

**Moderate scale of operations with high product concentration within intensely competitive segment** – The company recorded a YoY decline in operating income to Rs. 544.8 crore in FY2024 (FY2023: Rs. 567.3 crore), led by a fall in realisation of products within an intensely competitive market. Nevertheless, the company registered an increase in sales volume in FY2024, backed by favourable demand. The decline in the price was majorly due to a reduction in input prices, largely driven by a moderation in the prices of input components that are mostly imported from China in an intensely competitive market. The domestic lighting industry is characterised by several large and diversified players such as Philips, Surya Roshni, Bajaj Electricals, Crompton Greaves Consumer Electricals and Havells. The industry also has a large number of import-based, as well as single product/segment companies and unorganised players, given the low entry barriers in the form of capital requirements and technological complexity. ICRA also notes that the company encounters stiff competition from several organised and unorganised players in its fans division, limiting the pricing flexibility. Nonetheless, HTPL has been able to withstand competitive pressure, reporting volume growth in recent years, supported by its consistent efforts to launch new and innovative products. Although the company plans to retain its focus on expanding its product portfolio by launching innovative, value-added products, its ability to do so in a sustainable manner while maintaining growth and reasonable profitability remains to be seen.

**High working capital-intensive nature of business** – HTPL's operations are working capital-intensive due to an elongated receivable turnover period and sizeable inventory holding requirement. The receivables position also remains high due to a sizeable share of business from institutional clients (mainly contractors executing orders for Government organisations and corporate clients), which usually take 90-120 days to clear dues. This is partly supported by a long payable cycle due to the letter of credit (usance period of ~90-120 days)-backed imports. The company generally maintains an adequate inventory of ~100 days as it takes around 30 days for imports through the sea route, along with additional domestic travel time required for the products. As most components are very small in size with a long shelf life, the company prefers product imports for its upcoming requirements of the next 6-12 months. It also includes plastic granules which is used in plastic moulding machines which does not become obsolete.

**Susceptible to inherent cyclicality of end-user markets, coupled with exposure to technological obsolescence risk** – The demand for lighting products and fans is driven by real estate/construction activity to some extent, exposing the company’s operations to the cyclicality inherent in the end-user market. Besides, despite lower imports from China in FY2024 compared to the previous fiscals, the company’s operations remain vulnerable to any disruptions in the supply chain, as it continues to depend on China for imports of key components. Any disruption in the supply chain, impacting its operations will remain a key rating monitorable. Further, the company’s business remains susceptible to the risk of disruptive technological changes due to the growing focus on energy conservation and the frequent introduction of more energy-efficient products. While the company has demonstrated its ability to adapt to technological changes and successfully launched new, value-added products in the LED segment, revenue concentration in the lighting segment resulted in a pronounced impact compared to some of the diversified industry players. Although it has diversified its product profile by launching fans, the revenue concentration in the lighting segment remains high. Nonetheless, healthy growth prospects for the LED lighting market with the Government’s initiatives to promote energy-saving products and elevated expenditure on advertisements to increase awareness of LED products are expected to support the industry and the company’s revenue increase.

### Liquidity position: Adequate

The company’s liquidity is adequate on the back of a steady cash flow of operations of ~Rs. 35 crore (FY2024) and a significant buffer in its Rs. 125 crore bank limits (less than 30% utilisation in the past 12 months). Further, the company’s liquidity is likely to remain comfortable with nil long-term debt repayment obligation, no dividend payment plans and limited capex requirement in the medium term.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded, if there is a significant increase in revenue along with material business diversification while maintaining healthy profitability along with prudent working capital management on a sustained basis.

**Negative factors** – Pressure on the ratings could emerge in case of sustained pressure on the company’s revenues and profitability, resulting in a decline in its return indicators. Any stretch in the working capital cycle, which weakens the liquidity profile on a sustained basis or any major debt-funded capex, impacting the company’s debt protection metrics materially, will also be a negative trigger.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

### About the company

Incorporated in 2013, HTPL manufactures and trades in general lighting lamps, LED products and fans under the brand – ‘Halonix’. The company’s manufacturing unit is in Haridwar, Uttarakhand. HTPL has a strong pan-India distribution network, comprising ~850 dealers and distributors and ~1,00,000 direct and indirect retail touchpoints, besides an established presence in the institutional segment with corporate and government organisations as its customers.

HTPL was incorporated following an agreement to spin off and sell the general lighting division of Phoenix Lamps Limited (PLL; erstwhile Halonix Limited). In August 2013, PLL transferred its general lighting business to its subsidiary HTPL and sold it to Actis Capital affiliates. The ownership of HTPL once again changed hands in March 2016, when Actis Capital sold its stake to NewQuest Capital Partners (now TPG NewQuest Capital Partners), which now owns entire stake in the company.

The fund's India operations are managed by Ms. Bharati Agarwal, who serves as the director of HTPL and a Principal of TPG NewQuest based in Singapore. She joined TPG NewQuest in 2016 and is responsible for sourcing, execution and portfolio management of investments in India and Southeast Asia. HTPL's operations are managed by a professional board of directors – led by Mr. Rakesh Zutshi (Managing Director), who has significant experience in the domestic lighting industry.

### Key financial indicators (Audited)

	FY2023	FY2024
Operating income	567.3	544.8
PAT	19.1	30.6
OPBDIT/OI	7.7%	9.6%
PAT/OI	3.4%	5.6%
Total outside liabilities/Tangible net worth (times)	1.3	0.9
Total debt/OPBDIT (times)	1.5	0.7
Interest coverage (times)	4.7	9.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore;

Note: All financial ratios as per ICRA's calculation

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long-term	125.00	30-Oct-2024	[ICRA]A- (Stable)	18-Aug-2023	[ICRA]BBB+ (Positive)	12-Oct-2022	[ICRA]BBB+ (Stable)	04-Oct-2021	[ICRA]BBB (Positive)
			18-Jul-2024	[ICRA]BBB+ (Positive)	-	-	-	-	-	-
Term loans	Long-term	-	18-Jul-2024	[ICRA]BBB+ (Positive)	18-Aug-2023	[ICRA]BBB+ (Positive)	12-Oct-2022	[ICRA]BBB+ (Stable)	04-Oct-2021	[ICRA]BBB (Positive)
Non fund based	Short-term	32.00	30-Oct-2024	[ICRA]A2+	18-Aug-2023	[ICRA]A2	12-Oct-2022	[ICRA]A2	04-Oct-2021	[ICRA]A3+
			18-Jul-2024	[ICRA]A2	-	-	-	-	-	-
Unallocated	Long-term/ Short-term	3.00	30-Oct-2024	[ICRA]A- (Stable)/ [ICRA]A2+	18-Aug-2023	[ICRA]BBB+ (Positive)/ [ICRA]A2	12-Oct-2022	[ICRA]BBB+ (Stable)/ [ICRA]A2	04-Oct-2021	-
			18-Jul-2024	[ICRA]BBB+ (Positive)/ [ICRA]A2	-	-	-	-	-	-

Source: Company

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple

<b>Short-term – Non-fund based - Others</b>	Very simple
<b>Long-term / Short-term – Unallocated</b>	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	125.00	[ICRA]A- (Stable)
NA	Non-fund based	-	-	-	32.00	[ICRA]A2+
NA	Unallocated	-	-	-	3.00	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis - Not Applicable**

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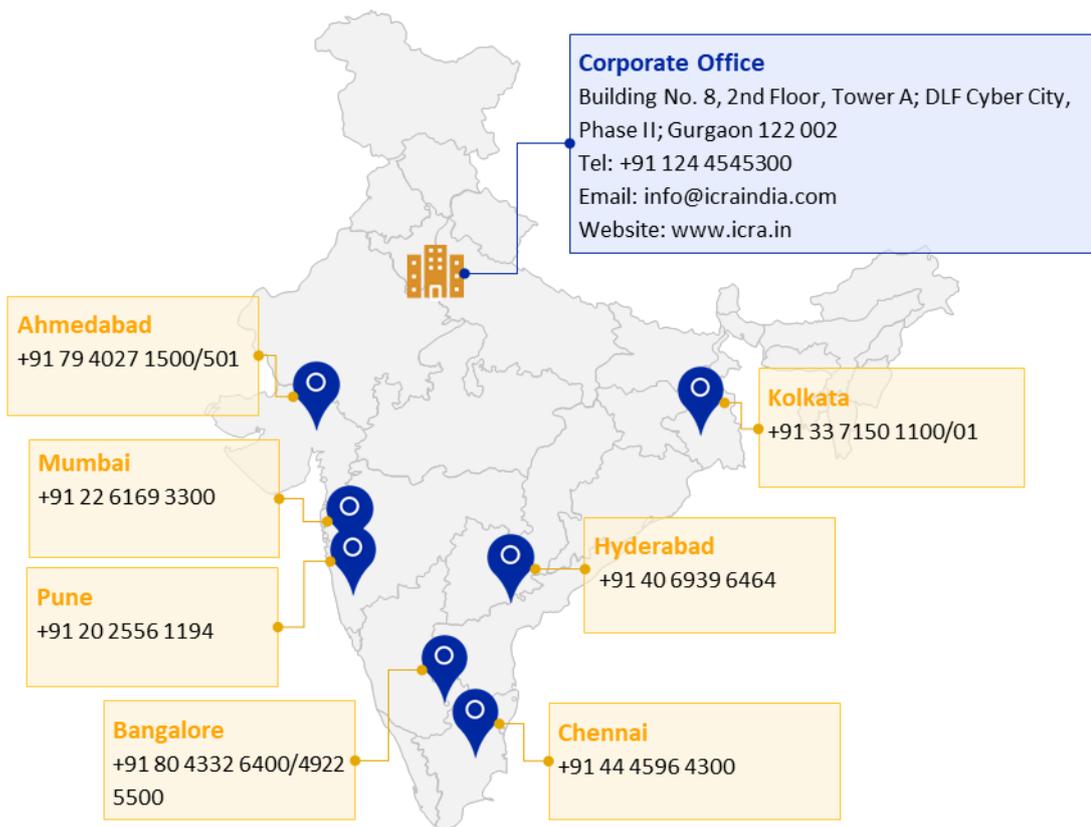
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