

Starlite Lighting Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 33.06 crore (reduced from Rs. 45.00 crore)	[ICRA]A+(SO) (stable) <i>upgraded from [ICRA]A(SO) (stable)</i>
Fund Based Limits	Rs. 75.00 crore (enhanced from Rs. 60.00 crore)	[ICRA]A+(SO) (stable) <i>upgraded from [ICRA]A(SO) (stable)</i>
Non-Fund Based Limits	Rs. 27.00 crore (enhanced from Rs. 10.00 crore)	[ICRA]A1+(SO) <i>upgraded from [ICRA]A1(SO)</i>
Non-Convertible Debenture Programme	Rs. 50.00 crore	[ICRA]A+(SO) (stable) <i>upgraded from [ICRA]A(SO) (stable)</i>

ICRA has upgraded the long-term rating from [ICRA]A(SO) (pronounced ICRA A (structured obligation)) to [ICRA]A+(SO) (pronounced ICRA A plus (structured obligation)) and the short-term rating from [ICRA]A1(SO) (pronounced ICRA A one (structured obligation)) to [ICRA]A1+(SO) (pronounced ICRA A one plus (structured obligation)) assigned to the term loans, fund based facilities and non-fund based facilities of Starlite Lighting Limited (SLL) aggregating to Rs. 135.06 crore¹ (enhanced from Rs. 115.00 crore)². The long-term rating has a Stable outlook. The rated facilities are credit enhanced by an unconditional and irrevocable corporate guarantee issued by Bajaj Electricals Limited (BEL; Guarantor).

ICRA has also upgraded the long-term rating from [ICRA]A(SO) to [ICRA]A+(SO) with Stable outlook outstanding on the Rs. 50.00 crore Non-Convertible Debenture (NCD) programme of SLL. The rating for the NCDs is based on the strength of an unconditional, irrevocable and continuing guarantee by BEL. The rating also factors the payment mechanism designed to ensure payment on the rated NCDs as per the terms of the transaction.

The upgrade of ratings takes into account the upgrade in the ratings of BEL (currently rated [ICRA]A+ (stable) / [ICRA]A1+). The ratings are based on the unconditional and irrevocable corporate guarantee issued by BEL for the rated bank facilities of SLL. The ratings address the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement and assume that the guarantee will be duly invoked, as per the terms of the underlying sanction letter and guarantee agreements, in case there is a default in payment by the borrower.

For the NCD programme, the guarantee from BEL would cover all issuer obligations that may arise on the rated NCDs as per the terms of the transaction documents. The payment mechanism is designed to ensure timely payment to the investors even if the guarantee has to be invoked by the Debenture Trustee.

Company Profile

Starlite Lighting Limited (SLL), incorporated in 1995 by Mr. Arvind S. Bharati and family, is in the business of manufacturing Compact Fluorescent Lamps (CFL) and Lamp components & accessories. The company commissioned its operations in October 2000 with total manufacturing capacity of about 13 million CFLs. The company made a strategic alliance in early 2007 with Bajaj Electricals Limited (BEL), and became an associate company of BEL (with 32% equity stake of the company held by BEL). The company also expanded its manufacturing capacity from 13 million CFLs to 40 million CFLs in September 2009 at a project cost of about Rs. 40 crore funded through term loans from banks, redeemable preference shares subscribed by BEL, and internal accruals. The company has also setup a manufacturing unit in Nashik (Maharashtra) for appliances, namely mixers, steam irons and water heaters, under the Mega Project Scheme initiated by the Maharashtra State Government at a project cost of about Rs. 30 crore which commenced operations in January 2015. The company has recently ventured into the manufacturing of Light-Emitting Diode (LED) products.

For FY2015, SLL reported a net loss of Rs. 2.86 crore on an operating income of Rs. 87.86 crore. For FY2016, SLL reported profit after tax of Rs. 1.16 crore on an operating income of Rs. 148.76 crore.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

About Bajaj Electricals Limited

Bajaj Electricals Limited (BEL), a part of Bajaj Group of companies, was incorporated on July 14, 1938 in the name of Radio Lamp Works Limited. The name was later changed to Bajaj Electricals Limited in the year 1960. BEL's shareholding is concentrated with the Bajaj family that has about 64% equity stake in the company. The company has five business units – Fans, Lighting, Luminaires, Appliances and Engineering & Projects. Until 1998, BEL was mainly a marketing company dealing in various consumer durable goods such as fans, lighting and electrical appliances under the Bajaj umbrella brand. In the year 2001-02, the company commenced manufacturing highmasts and transmission towers as part of its projects division at Ranjangaon, Pune. The company also has 19% stake in Hind Lamps Limited (reduced from 50% in FY2015) that is involved in manufacturing of tubes and lamps. In March 2007, the company acquired 32% equity stake in Starlite Lighting Limited which manufactures Compact Fluorescent Lamps (CFL) at Nashik. In March 2015, BEL reduced its stake in SLL to 19%.

For FY2016, BEL reported operating income of Rs. 4,611.9 crore and profit after tax (PAT) of Rs. 95.6 crore. From April 1, 2016, BEL has adopted Indian Accounting Standards (Ind AS). For Q1 FY2017, BEL reported operating income (net of excise) of Rs. 951.8 crore and PAT of Rs. 22.9 crore (unaudited).

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