

AUGUST 18, 2015

CARE ASSIGNS 'CARE BBB-' RATING TO THE LONG TERM BANK FACILITIES OF LUMINOUS WATER TECHNOLOGIES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	15	CARE BBB- [Triple B Minus]	Assigned
Total Facilities	15 (Rs. Fifteen crore only)		

Rating Rationale

The rating assigned to the bank facilities of Luminous Water Technologies Private Limited (LWTPL) derives strength from the extensive experience of its promoters in the consumer durables industry and LWTPL's wide marketing & distribution network. The ratings further draw comfort from the company's established brand name 'Livpure', its healthy capital structure supported by private equity infusion and positive outlook of the water purifier industry.

These rating strengths are partially offset by LWTPL's limited track record with small scale of operations, low capacity utilization and increasingly competitive market requiring large advertisement spend.

Going forward, ability of the company to scale up the operations profitably and improve its market share will be the key rating sensitivities.

Background

Luminous Water Technologies Private Limited (LWTPL), part of SAR group, was incorporated in 2011 by Mr Rakesh Malhotra and Mr Navneet Kapoor, founder promoters of Luminous Power Technologies Private Limited (LPTPL) engaged in manufacturing of inverters, UPS and batteries.

SAR Group was established in 1988 by Mr Rakesh Malhotra and Mr Navneet Kapoor and had built the 'Luminous' brand over the last two decades. In June 2011, the promoters divested 74% of their holding in LPTPL to French electrical engineering and power management company Schneider Electric SA. Post the divestment of 74% stake in LPTPL, the promoters are focusing on building new businesses related to water purification, mobile handsets & accessories, electrical equipment etc.

LWTPL is engaged in providing water treatment solutions in the form of water purification system for home and commercial use. The company sells its RO water purifier systems under its brand name "LIVPURE" through a pan India network of dealers and distributors. Besides, the company also enters into annual maintenance contracts with the customers who are serviced by the engineers appointed by the company. The company is currently managed by Mr R S Rajan who has more than 30 years of experience in the industry.

LWTPL has won awards from Water Digest Organization in association with UNESCO for fastest growing RO water purifier brand, most innovative up-coming water purifier in the year 2012-13 and India's most promising brand in 2013-14 (validated by Ernst & Young). The manufacturing facilities of the company are located in Gurgaon, Haryana with an installed capacity of 240,000 water purifiers per annum.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY14 (refers to the period April 1 to March 31), LWTPL registered a net loss of Rs.38.18 crore on total operating income of Rs.79.81 crore. Also, as per the provisional results for FY15, it has reported a net loss of Rs.42.86 crore on a total operating income of Rs.95.17 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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