

Landis + GYR Limited

January 05, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|------------------|-------------------------|--|
| Long Term / Short Term Bank Facilities | 18.00 | CARE BB / CARE A4 (RWD) | Continues to be on Rating Watch with Developing Implications |
| Short Term Bank Facilities | 72.00 | CARE A4 (RWD) | Continues to be on Rating Watch with Developing Implications |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has continued to keep the ratings assigned to the bank facilities of Landis + GYR Limited (LGL) on "Credit Watch with developing implications" owing to the company transferring its smart meter manufacturing unit to recently formed Joint Venture with Dubai based Esyasoft Technology. The company is currently operating only its Noida based R&D centre to provide services to its Group entities. Going forward, this will impact on the scale of operation and profitability of the company. CARE will continue to closely monitor the progress relating to the above developments, the possible extent of impact on the credit profile of the firm and will take a final rating action on receipt of clarity on the outcome of the above developments.

The ratings continue to factor in the subdued operational performance of the company with losses incurred over the last five years, weak financial risk profile with negative net-worth due to accumulated losses, and forex fluctuations risk. However, the ratings derive strength from the strong parentage having vast experience in energy solutions and improvement in financial performances during 8MFY24.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in PBILDT margin (> 7%) on a sustained basis.
- Improvement in capital structure with accumulation of profits to net-worth and positive cash flows.

Negative factors

- Any significant change in ownership and/or its impact on the current support extended by the Group.
- Delay in collection of receivables on a sustained basis.

Analytical approach:

Standalone.

Factoring the operational and financial linkages extended by Landis + Gyr AG, Switzerland the holding company and the Landis + GYR Group.

Outlook: Not Applicable.

Detailed description of the key rating drivers:

Key weaknesses

Weak financial risk profile with low net worth due to accumulated losses

On account of accumulated losses incurred by the company over the years, the net worth has been negative in the past five years. Debt is marked by term loan from Group Company and working capital borrowings from banks. The debt coverage metrics also continued to be low during the last three years due to losses reported by the company.

Exposure to foreign currency fluctuation:

A major part of the services rendered by the company are in foreign currency. In terms of foreign currency outflows, major expenses such as management fees, etc. paid to the group companies are in foreign currency and imports constitute a very small portion. The company does not have a formal hedging policy and enters a hedge only as per market dynamics hence exposing the company's profitability to foreign currency fluctuations. The company has incurred forex loss of Rs.0.40 crore in FY23 as against profit of Rs.1.16 crore in FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Subdued operational performance with losses

The TOI improved by 42.6% y-o-y during FY23 due to increase in Service operation. However, due to exceptional item i.e. final settlement for employees of manufacturing unit, the company incurred a loss of Rs 32 crore. Further the company earned PBT of Rs. 22.07 crore in 8MFY24.

Key Strengths

Strong parentage having vast experience in energy solutions

LGL is a part of the Landis + Gyr Group and is a subsidiary of Landis Gyr AG, Switzerland. The group is one of the major players in the global smart meters market providing integrated energy management solutions and has over 120 years of industry experience. The Group has operations in more than thirty countries across five continents. Along with leveraging the Group's vast experience in the metering and related software solutions business, LGL also derives other financial and operational support from the Group in the form of loans and regular orders for its Global Development Centre (GDC) in Noida from various companies of the group. Further, LGL also benefits from flexible repayment terms with respect to loans from holding company or payment of management fees, branding fees etc. helping manage LGL's cash flows.

Stable source of revenue due to demerger of loss making manufacturing unit

LGL's revenue sources were from sale of meters and from sale of services in the form of consultancy and software development services. However, the company has demerged its loss making manufacturing unit. Currently, the company is generating its revenue from its service operations based on Noida and is only providing services to subsidiaries. Since, the service operation has always been profitable for LGL, the company is expected to generate profit from FY24 onwards.

Liquidity: Stretched

The liquidity has been marked as stretched with modest utilisation of working capital limit, negative cash profit and high debt repayment obligations. The average utilization of bank limits was around 73% during the last 12 months ended Nov 30, 2023. Furthermore, the company has a debt repayment obligation during FY25 of Rs 63.00 crore, which is expected to be met through proceedings of demerger of its manufacturing unit.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|---------------|----------------------|----------------------------|
| Industrials | Capital Goods | Electrical Equipment | Other Electrical Equipment |

Incorporated in 1992, Landis + GYR Limited (LGL) is engaged in the manufacturing of electricity meters and provides end to end advanced metering solutions. It has a manufacturing facility in Joka to manufacture 30 lakh electricity meters and research and development centre in Noida for software development services in relation to Advanced Metering Infrastructure (AMI) and Smart Metering Services. Currently, the company has stopped manufacturing of electric meters and only providing service through its Noida office to the group companies. LGL is a part of the Landis + Gyr Group and is a wholly owned subsidiary of Landis Gyr AG, Switzerland. Landis + Gyr, AG Switzerland is listed on the SIX Swiss Exchange. The Landis group is one of the major players in the global smart meters market providing integrated energy management solutions has over 120 years of industry experience. The Group has operations in more than 30 countries across five continents.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 8MFY24 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 396.01 | 564.73 | 235.02 |
| PBILDT | -9.66 | 17.44 | 33.49 |
| PAT | -38.25 | -32.19 | 22.07 |
| Overall gearing (times) | NM | NM | - |
| Interest coverage (times) | NM | 1.97 | - |

A: Audited UA: Unaudited; NM: Not Material ; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

ICRA has conducted the review on the basis of best available information and has classified LGL as "Not cooperating" vide its press release dated July 28, 2023.

Any other information: Not Applicable.

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|------|------------------|-----------------|---------------|-----------------------------|---|
| Fund-based - ST-Bank Overdraft | | - | - | - | 45.00 | CARE A4 (RWD) |
| Fund-based/Non-fund-based-Short Term | | - | - | - | 27.00 | CARE A4 (RWD) |
| LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC | | - | - | - | 18.00 | CARE BB / CARE A4 (RWD) |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Fund-based - ST-Bank Overdraft | ST | 45.00 | CARE A4 (RWD) | 1)CARE A4 (RWD) (28-Dec-23) | 1)CARE A4 (02-Jan-23) | 1)CARE A4 (15-Feb-22) | 1)CARE A4 (31-Dec-20) |
| 2 | Fund-based/Non-fund-based-Short Term | ST | 27.00 | CARE A4 (RWD) | 1)CARE A4 (RWD) (28-Dec-23) | 1)CARE A4 (02-Jan-23) | 1)CARE A4 (15-Feb-22) | 1)CARE A4 (31-Dec-20) |
| 3 | LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC | LT/ST* | 18.00 | CARE BB / CARE A4 (RWD) | 1)CARE BB / CARE A4 (RWD) (28-Dec-23) | 1)CARE BB; Stable / CARE A4 (02-Jan-23) | 1)CARE BB; Stable / CARE A4 (15-Feb-22) | 1)CARE BB; Stable / CARE A4 (31-Dec-20) |

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable.**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - ST-Bank Overdraft | Simple |
| 2 | Fund-based/Non-fund-based-Short Term | Simple |
| 3 | LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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