Lotus Wireless Technologies India Private Limited

July 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	42.00	CARE BBB; Stable	Assigned
Long Term / Short Term Bank Facilities	26.00	CARE BBB; Stable / CARE A3+	Assigned
Short Term Bank Facilities	13.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Lotus Wireless Technologies India Private Limited (Lotus) derive strength from experienced promoters with long track record of operations in the wireless and electrical equipment industry, healthy profitability margins by driving digital innovative solutions in manufacturing as customised, strategic location of the plant, research and development on project Kavach and high voltage electric charges considering favourable industry prospectus and adequate liquidity. The ratings also takes into account its long-standing association with reputed clientele, comfortable financial risk profile marked by negligible term debt and low reliance on working capital limits with strong debt coverage indicators.

The rating strengths are, however, tempered by moderate scale of operations over last 5 years ended FY23 with decline in revenue in FY24 [FY refers to the period April 01 to March 31], moderate order book position with short term revenue visibility, geographical concentration risk and elongated operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- TOI improving above Rs. 300 crore and above with a sustainable PBILDT margins of 25%
- Shortening of collection period to less than 150 days

Negative factors

- Inability to secure orders leading to declined TOI and PBILDT levels by more than 20% for the projected period
- Deterioration in overall gearing above 0.50x

Analytical approach: Standalone

Outlook: Stable. CARE Ratings Limited (CARE Ratings) believes that Lotus is expected to register a steady growth in its revenue and profitability while maintaining a comfortable financial risk profile.

Detailed description of the key rating drivers:

Key strengths

Established track record of the company with experienced promoters: Lotus was established in 2003, promoted by Mr. Maninder Singh Lal and Mrs. Reena Singh Lal with an experience of more than two decade in wireless and electrical industry. Lotus has successfully executed several orders for reputed companies like Tata Steel Limited, JSW Steel, South Central Railway, West Central railway, Bhilai Steel Plant, HPCL, L&T etc., proving the capability of the company both in terms of technology and in handling major orders. The company was accorded with Govt of Andhra Pradesh Technology award 2018, CII Industrial Innovation Awards 2016, NEDO Award for Excellence 2017 for the Technology Contribution in Panipat Smart Grid Demonstration Project and Technology Deployment Award-2017 for Exemplary Performance in Technology Deployment. Also, Winner of India 'Business Enterprises of 2022' award by prestigious Dun & Bradstreet in the "IT & ITeS".

Strategic location of the plant: Lotus is located in Vishakhapatnam, a prominent industrial hub, enjoys access to all transportation facilities, including land, waterways, and air. The city's features, such as a shore-based steel plant, heavy industries, power plants, shipyard, and a major port, make it a hub for maritime products. This advantageous location allows the company to benefit from reduced freight charges and efficient logistics.

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

Company's focus on research and development (R&D): Lotus has various products in its portfolio providing customised solutions like Coke over battery, Smart power grid, defence products, Bulk material handling and Transport etc., through continuous research and development of innovative technologies. Further, Lotus is developing the Kavach Project, an innovative initiative aimed at significantly enhancing safety and operational efficiency across Indian Railways. Kavach integrates advanced sensors and real-time monitoring to reduce train accidents, while also optimizing scheduling, track maintenance, and communication through modern automation and IoT solutions. In addition, Lotus is in collaboration with Austrian Institute of Technology brings together leading-edge research and development capabilities for development of 1MW electric charger.

Healthy profitability margins over past albiet moderation in FY24: Since Lotus is into providing technology services, profitability margins of the company range at 20 to 25% and company only secures orders from the customers that allow them to benefit and generate healthy profitability margins. Till FY21, the company's majority of revenue was derived from railways segment where in the margins were in the range of 22-25%. From FY22 onwards, share of wireless segment also increased wherein the margins are close to 45%. In FY23, Lotus reported revenue from railways and wireless which resulted in improved margins. with PBILDT and PAT margins remaining healthy at 36.41% and 25.61% respectively. Furthermore, ROCE and RONW of the company stood comfortable at 32.04% and 24.72% respectively in FY23.

However, with declined TOI in FY24, PBILDT and PAT margins of the company declined to 23.84% and 17.96% in FY24 against fixed overhead costs which is second major cost component to the company. Despite moderation, profit margins remained healthy for FY24.

Comfortable financial risk profile: As on March 31, 2024, total debt of the company consists of vehicle loans, ECLGS and working capital borrowings. The capital structure of the company marked by debt to equity and overall gearing have remained below unity for the last five years ended March 31, 2024, i.e., at 0.12x on account of low reliance on working capital limits and strong net worth base. Net worth of the company significantly improved from Rs. 55.93 crores as on March 31, 2019, to Rs. 150.09 crores as on March 31, 2024, at the back of accretion of healthy profits. Other debt coverage indicators like interest coverage ratio and total debt / gross cash accruals (TDGCA) are strong at 13.27x (PY:53.81x) and 1.24x (PY: 0.48x).

During FY25, Lotus is planning to avail term loan of Rs. 24 crores for expansion of existing plant and to setup office premised in Hyderabad. Despite, additional loan proposed, financial risk profile of the company is expected to be maintained below 0.50x in the coming years.

Favourable Industry Prospectus: The Indian electronics system design and manufacturing (ESDM) sector is one of the fastest growing sectors in the economy and is witnessing a strong expansion in the country. The ESDM market in India is well known internationally for its potential for consumption and has experienced constant growth. The Government of India attributes high priority to electronics hardware manufacturing, as it is one of the crucial pillars of Make in India, Digital India and Start-up India programmes and it plays vital role in government's goal of generating US$ 1 trillion of economic value from the digital economy by 2025. The Indian electronics manufacturing industry is projected to reach US$ 520 billion by 2025. Indian Government allocated funds Rs. 112.57 crores in budget 2024-25 for the installation of the Automatic Train Protection (ATP) system Kavach and utilized on Kavach works so far is Rs 1,216.77 cr. This substantial investment underlines the importance placed on railway safety and the urgency to implement advanced technologies like Kavach to mitigate accidents.

Key weaknesses

Moderate scale of operations despite growth in scale of operations ended FY23: Lotus is into providing wireless technology services to various sectors like railways, defence, steel and coal industries etc. Total operating income (TOI) of the company increased gradually from Rs 37.10 crores in FY19 to Rs. 88.70 crores in FY21 with acceptance of innovative services provided by the company over the years. However, in FY22, due to second wave of Covid, company faced lack of orders inflow. To counter this, Lotus diversified its revenue stream by venturing into manufacturing of medical ventilators which alone contributed around Rs. 109 crores revenue in FY22. This diversification helped the company them to increase the scale of operations. In FY22, TOI increased by 58.32% compared to FY21. However, with decline in demand for medical ventilators and normalcy prevailing in regular business resulting in order inflow from Railway segment, Lotus reported a TOI of Rs.118.76 crore which is a decline of about 15% over previous year revenue. Excluding the onetime income from sale of medical ventilators, revenue from regular course of business witnessed almost 3x increase.

Subdued financial performance in FY24: In FY24, Total operating income of the company recorded at Rs. 68.85 crores which is about 58% of total TOI in FY23. Declined financial performance is primarily on account of delay in dispatch clearance of existing railway orders from governments which are expected to be executed by end of FY24 resulted in declined turnover. Further in line with declined TOI, PBILDT and PAT margins of the company marginally declined to 23.84% and 17.96% in FY24 but remained at comfortable levels.

Moderate order book position providing short term revenue visibility: As of May 31, 2024, Lotus has order book worth Rs. 153.87 crores which is equivalent to 2.23x based on turnover recorded in FY24. The existing order book provides revenue visibility for a short-term period as majority of the order book is expected to be completed within 12 to 15 months. Since the company is selective in choosing projects or customers that meet desired profitability margins, the order book position of the company is low however, repetitive in nature. Lotus receives running orders from its existing clients for quarterly/half yearly/annual maintenance. Lotus secures running orders from various clients, and some of its notable clients include South Central Railway (SCR), West Central Railway (WCR), Banaras Locomotive Works (a production unit of Indian Railways), Chittaranjan Locomotive Works, Mecon Limited, NTPC Limited, JSW Steel Limited, Bhilai Steel Limited, and Tata Steel Limited. These clients contribute significantly to Lotus's order book, with the top 10 companies accounting for approximately 88% of the total order book as of May 31, 2024. The diverse client base and association with reputable organizations in the railway, steel, and power sectors highlight Lotus's strong market presence and credibility. The company's ability to secure orders from such renowned entities provides its expertise and track record in delivering quality projects.

Geographical Concentration risk: Company has presence all over India with its manufacturing and R&D facilities located at 8 different locations of which 7 are in India and 1 in Germany. Presence of Lotus in India is in Andhra Pradesh, Telangana, Mumbai, Noida, Jamshedpur, Kolkata, Chhattisgarh. Despite its presence in various locations, Lotus had significant geographical concentration with majority of the revenue i.e., around 80% of revenue generated from 2 states i.e., Andhra Pradesh and West Bengal in FY21 and FY22. However, In FY23, the company was able to diversify into other locations which resulted in 5 states contributing to about 81%. Hence, Lotus is actively looking to diversify the risk of geographical concentration to a certain extent.

Elongated operating cycle: Lotus procures major raw material required for manufacturing (like electronic components), 60% through imports from Germany and 40% indigenous purchases. The company usually provide credit period of 120 days to its customers. However, 80% to 85% of the billing will be received on acceptance of the product by the customer and remaining 15 to 20% will be received on commissioning of the products or after warranty period. Also, for certain orders, commissioning may take longer period as the product supplied by the company is one of the components to the project which results in high collection period. Lotus makes payment to suppliers in the form of advances/avails credit period of 30 to 60 days. Further, operating cycle of the company is high due to increase in collection period as major sales in FY24 happened in last quarter of the fiscal year. For FY24, collection period increased to 250 days (FY23: 189 days). But, in absolute terms, receivables decreased from Rs.36.37 crores as on March 31, 2024 against Rs. 76.58 crore as of March 31, 2023. Further, out of O/s receivables pending as on March 31, 2024, 36.47 crores, of which debtors above 180 days stood at 60.50% with delay in commissioning of billed products. However, As of May 31, 2024, company has recovered debtors amounting to Rs. 12.63 crores from March month receivables with no bad debts. Also, inventory holding period is increased to 202 days against 51 days in FY23 on account of delay in dispatch clearance by client resulted in Operating cycle of the company elongation from 206 days to 400 days on March 31, 2024.

Liquidity: Adequate.

Liquidity is adequate marked by gross cash accruals of Rs. 14.97 crores against negligible repayment obligations for next one year. Free cash and bank balance available as on March 31, 2024, is Rs. 45.08 crores. Average utilisation of working capital limits over last 12 months ended May 2024 stood low at 28%. Its unutilised portion of working capital limits and existing free cash balances are sufficient to meet working capital requirements for next one year. Further, Positive cash flows generated from operations despite working capital intensive operations resulted in low reliance in working capital limits.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipments

Lotus Wireless Technologies India Private Limited (Lotus), an ISO 9001:2015, ISO/IEC 27001:2013 TUV Nord certified and CMMI certified company, was set up as a private limited company in the year 2003. The company is managed by Mr. Maninder Singh Lal (Managing Director) and Mrs. Reena Singh Lal (Director). The company is into design and manufacturing of wireless equipment and radio based control devices used in power distribution, bulk material handling machines and coke oven battery automation.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	140.43	118.29	68.86
PBILDT	35.81	43.07	16.42
PAT	25.96	30.29	12.37
Overall gearing (times)	0.01	0.11	0.12
Interest coverage (times)	56.80	53.81	13.27

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	18.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	Proposed	24.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	26.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	13.00	CARE A3+

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 2024-2025	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	26.00	CARE BBB; Stable / CARE A3+	-	-	-	-
2	Non-fund-based - ST-Letter of credit	ST	13.00	CARE A3+	-	-	-	-
3	Fund-based - LT-Term Loan	LT	24.00	CARE BBB; Stable	-	-	-	-
4	Fund-based - LT-Cash Credit	LT	18.00	CARE BBB; Stable	-	-	-	-

LT: Long term; ST: Short term; LT/ST: 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 - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: 080- 46625555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Y Tejeshwar Reddy Assistant Director **CARE Ratings Limited** Phone: 040-40102030 E-mail: Tejeshwar.Reddy@careedge.in Ramadevi Kamireddi Lead Analyst **CARE Ratings Limited** E-mail: Ramadevi.K@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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