

Livpure Private Limited

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00 (Enhanced from 15.00)	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	7.50	CARE BBB-; Negative / CARE A3 (Triple B Minus; Outlook: Negative/ A Three)	Reaffirmed; Outlook revised from Stable
Total Bank Facilities	47.50 (Rs. Forty-Seven Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities continue to derive strength from its experienced and resourceful promoters with demonstrated financial support to the company over the years, emerging brand name with marketing and distribution network along with continuous growth in scale of operations. However, the ratings are constrained by company's continued loss-making operations due to increase in input prices and trading of electronic goods wherein margins are low, elongated operating cycle and competitive nature of industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Consistent improvement in scale of operations by garnering higher market share with profitable operations on sustained basis.
- Improvement in operating cycle with reduction in gross current assets below 120 days.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Weakening of liquidity position marked by depleting free cash balance.
- Consistent reduction in scale of operations with operating losses.

Outlook: Negative

The revision in rating outlook from stable to negative is on account of expected weakening of operational performance and losses due to lower than envisaged scale up with profitable operations. The outlook may be revised to stable on the back of higher-than-expected growth in volumes with operating profits in the ensuing financial year and continued financial support from the promoters in a timely manner.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team: Livpure Private Limited (LPL) was incorporated as Luminous Water Technologies Private Limited (LWTPL) in 2011 by Mr. Rakesh Malhotra and Mr. Naveen Kapoor, founder promoter of SAR Group and Luminous Power Technologies Private Limited. The promoters have established LPTPL in 1988 in the name of SAR Silicon System Pvt Ltd. Which was renamed in 2005. Both the promoters have substantial industry experience and looks after the overall management of the SAR group. LPL is currently managed by Navneet Kapoor (Managing Director) who has more than 28 years of experience in the industry.

Emerging brand name with extensive marketing and distribution network: The company supplies its products under the emerging brand name of 'Livpure' which has a growing brand recall in the domestic market. Sachin Tendulkar is the brand ambassador of the company, which has been extended for further 3 years. The company has widespread marketing and distribution network primarily consisting of distribution and dealers across India the company utilizes the distribution which has been extended till March 2008. The company has widespread marketing and distribution network primarily consisting of distributors and dealers across India. The company utilizes the distribution network of Ncube India Services Private Limited (NISPL; part of SAR-Group) and has a national distributor agreement with NISPL. The company has also focused on the after sales services and has its own network of service engineers on its payroll covering pan India with more than 1000 service engineers (own employees as well as service franchisee).

Continuous Support from promoters in form of capital infusion: The company is a part of SAR group and promoters have been supporting the operations of the company through fund infusion over the years. The promoters have infused additional capital of Rs.17.00 Cr in 9MFY22 (refers to the period April 01 to December 31) by way of Right Issue with additional funds to expected by March 2022 to fund the operating losses. The promoters have in the past infused funds in the

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

business including Rs.25.00 Cr in FY20 (refers to the period April 01 to March 31) by issuing 25,00,000 compulsorily convertible debentures of Rs. 100 each, Rs.23.10 Cr in FY19 and Rs. 48.33 Cr in FY18.

Growing scale of operations: The operations of the company have been consistently improving over the past three years. The company has reported growth of 44.32% in FY21 as the total operating income stood at Rs.292.55 Cr in FY22 (PY Rs.202.70 Cr). Total operating income has increased with CAGR of 20.95% from FY19 to FY21. The continuous growth in income can be attributable to increase in income from RO water purifier and new products (Air conditioner and coolers) which were introduced by the company in FY20 to widen the product range. However, the modest scale of operations limits the company from benefiting from economies of large scale of operations.

Key Rating Weaknesses

Loss making operations: Despite the growing scale of operations, the company has been continuously reporting losses since its inception owing to the high overhead costs led by low-capacity utilisation with high advertising cost incurred by the company for building its brand name. The company reported net loss of Rs. 17.07 Cr in FY21 which reduced from Rs. 40.31 Cr in FY20 as a result of rationalisation of fixed overhead cost in form of advertisement cost to 7% in FY21 (PY 15%) and employment cost 19.01% in FY21 (PY 28.29%) of total operating income. During 9MFY22 (refers to the period April 01 to December 31) company has reported a net loss of Rs.39.70 Cr which increased from Rs.18.85 Cr during 9MFY21 due to severity of pandemic leading to loss of revenue for AC's and coolers which are in high demand during Q1 and also new water RO connections whereas fixed overhead cost remained at par. The ability of the company to turn around its operational performance remain critical from the credit perspective.

Elongated operating Cycle: The Company's operations are working capital intensive, though reduce to 71 days as on March 31, 2021, from 98 days as on March 31, 2020. The operating cycle of the company remained high due to high collection period since the company needs to provide high credit period to distributors in order to capture the large market share coupled with majority of sale made in Q4 (refers to the period January 1 to March 31) on account of peak season for AC's and coolers. Collection period has increased to 117 days as on March 31, 2021, from 109 days as on March 31, 2020, on account of slow realisation from debtors which has been offset by increase in creditors period to 101 days as on March 31, 2021, as against 64 days as on March 31, 2020. The company has stretched its creditors in order to fund the working capital gap during the current year.

High Competition and sizeable spending on brand building and marketing: The Company operates in a highly competitive environment and faces stiff competition from established players as well as new entrant. Competitors such as HUL (Pure it), Kent Water Purifier and Eureka Forbes (Aqua Guard) and Havells have established their brands in the market to cater different segments. Also, with the advent of multi brand retailing, the consumer durables industry is exposed to new entrants and cheaper alternative. The same has resulted in requirement of spending heavily on its marketing and advertisement which has resulted in losses at operating level. Also, LPL has to keep its sales personnel in retail shops along with high number of service personnel which lead to high employee cost.

Industry Prospects: In India, the consumption of unsafe drinking water is considered responsible for the spread of major communicable diseases. Over the past decade, the Indian population has witnessed considerable improvement in accessing clean drinking water. However, the quality of water supplied by civic authorities still remains a challenge and has opened up gates of opportunity for water filtration companies in a country with 1.3 billion population where the penetration rate of water purifiers still remains less than 10% even in urban areas. The water purifier market in India has shown tremendous growth opportunity in last couple of years and is expected to grow further at a CAGR of more than 9% during the FY21-FY26. The market is being driven by the increasing awareness levels among the population regarding water borne diseases, increasing disposable income of the Indian consumer, low penetration level and availability of products at all price points. The prospects of the company shall be governed by its ability to penetrate deep geographies by strengthening its distributor network.

Liquidity: Adequate

The liquidity of company is marked adequate by free cash and cash equivalents of Rs 3.43 crore and free mutual fund investment of Rs. 1.00 Cr as on March 31, 2021. The company have miniscule scheduled debt repayment of Rs.0.24 Cr during current year out of which debt of Rs.0.15 Cr is paid till Dec 31, 2021. The average fund based working capital utilization remains moderate at ~90% for trailing twelve months ending Dec,2021, while utilization of non-fund-based facilities remains at about 93% for trailing twelve months ending December 2021. The current ratio of company stood at Rs 0.84x as on March 31, 2021 (PY:0.81x).

Analytical approach: Standalone, after factoring support from promoters

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating methodology for manufacturing companies](#)

About the Company

Livpure Private Limited was incorporated as Luminous Water Technologies Private Limited in 2011 by Mr. Rakesh Malhotra and Mr. Navneet Kapoor, founder promoters of SAR Group. The company got its name changed to 'Livpure Private Limited' from 'Luminous Water Technologies Private Limited' on April 11, 2016. LPL is engaged in providing water treatment solutions in the form of water purification system for home and commercial use under its strong 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 who have been allotted defined areas.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	202.70	296.85	146.38
PBILDT	-34.09	-6.56	-40.78
PAT	-40.31	-17.07	-39.70
Overall gearing (times)	16.32	-5.42	-
Interest coverage (times)	-4.75	-0.99	-

A: Audited

Status of non-cooperation with previous CRA: NA

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE BBB-; Negative
Non-fund-based - LT/ST-BG/LC		-	-	-	7.50	CARE BBB-; Negative / CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	40.00	CARE BBB-; Negative	-	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BBB-; Stable (03-Apr-20)	-	1)CARE BBB-; Stable (28-Mar-19)
2	Non-fund-based - LT/ST-BG/LC	LT/ST*	7.50	CARE BBB-; Negative / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (26-Mar-21) 2)CARE BBB-; Stable / CARE A3 (03-Apr-20)	-	1)CARE BBB-; Stable / CARE A3 (28-Mar-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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