

April 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA B/Stable (Assigned)
Cash Credit (proposed)	4.00	SMERA B/Stable (Assigned)
Bank Guarantee	1.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA single B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of Lakshmi Agro Industries (LAI). The outlook is '**Stable**'. The ratings are constrained by the firm's weak financial profile and low net profit margin. The ratings are also constrained by the firm's exposure to intense competition in the steel industry. However, the ratings draw comfort from the firm's experienced management. The ratings are also supported by the healthy revenue growth registered by the firm.

LAI, established in 1988, is a New Delhi-based proprietorship firm engaged in fabrication and trading of steel products. LAI's weak financial profile is reflected in high gearing of 4.23 times as on March 31, 2014 and low interest coverage ratio of 1.11 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's net profit margin is low at 0.19 per cent in FY2013-14. LAI operates in an intensely competitive segment of the steel industry.

LAI benefits from its experienced management. The proprietor of the firm has around two decades of experience in the steel industry. LAI's revenues increased at a healthy compound annual growth rate (CAGR) of ~30 per cent during FY2009-10 to FY2013-14.

Outlook: Stable

SMERA believes LAI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's profitability and financial risk profile.

About the firm

LAI, established in 1988, is a New Delhi-based proprietorship firm engaged in fabrication and trading of steel products such as tanks, TMT bars and pipes.

For FY2013-14, LAI reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.142.04 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.119.77 crore in FY2012-13. The firm's net worth stood at Rs.3.59 crore (including unsecured loan of Rs.2.14 crore)

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SMERA RATINGS LIMITED

Lakshmi Agro Industries (LAI)

Rating Rationale

as on March 31, 2014, as compared with Rs.3.40 crore (including unsecured loan of Rs.2.11 crore) a year earlier.

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