

Press Release

03 March, 2017

Litecon Industries Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.8.50 Cr
Long Term Rating	SMERA BB-/Stable

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 8.50 crore bank facilities of Litecon Industries Private Limited. The outlook is '**Stable**'.

Incorporated in 2010, LIPL was promoted by Mr. Chandresh Sanghani and family. The company is engaged in the manufacturing of Autoclaved Aerated Concrete (AAC) Blocks and panels at Surat and has capacity of 150,000 Cubic Meters of blocks per annum.

Key Rating Drivers

Strengths

- **Experienced management:**

Incorporated in 2010, LIPL was promoted by Mr. Chandresh Sanghani and family. Mr. Sanghani possesses around two decades of experience in the trading of construction material.

- **Healthy and stable operating profitability**

LIPL's operating profitability is healthy and stable. The EBDITA margins stood at 14.81 percent in FY2016 as compared to 14.54 percent in FY2015. The PAT margins stood at 2.23 percent in FY2016 as compared to 2.58 percent in FY2015.

Weaknesses

- **Uneven revenues**

LIPL's operating income has shown fluctuating trends in the past owing to rise and fall in demand from the real estate sector. The operating income stood at Rs.23.13 cr in FY2016 as compared to Rs.21.02 cr in FY2015. From April to December 2016 (Provisional), the operating income stood at Rs.24.00 cr.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.17.05 cr as on 31 March 2016 supported by subordinated unsecured loans. The ICR stood at 2.21 times in FY2016 as compared to 3.12 times in FY2015. The DSCR stood at 1.04 times in FY2016 as compared to 0.88 times in FY2015.

- **Working capital intensive operations**

The operations are working capital intensive with Gross Current Assets (GCAs) of 154 days on account of high debtor levels of 145 days. The liquidity profile is moderately stretched with utilisation of around 80 percent of working capital limits.

- **Vulnerability of margins to fluctuations in raw material prices**

LIPL's operating profitability is susceptible to volatility in raw material prices of silica, sand, cement, lime among others.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Litecon Industries Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that LIPL will maintain a stable outlook and continue to benefit over the medium term on account of the established market position and extensive experience of its promoters. The outlook may be revised to Positive if the company registers substantial increase in profitability margins supported by healthy revenue growth or improves its capital structure as a result of equity infusion by promoters. Conversely, the outlook may be revised to Negative in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to higher than expected debt-funded capex or elongated working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, Litecon Industries Private Limited (LIPL) registered profit after tax (PAT) of Rs.0.52 cr on operating income of Rs.23.13 cr as against PAT of Rs.0.54 cr on operating income of Rs.21.02 cr in the previous year. The net worth stood at Rs.17.05 cr as on 31 March 2016 as compared to Rs.14.72 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable)

ICRA Limited (ICRA) has suspended its ratings on the bank facilities of LIPL in the absence of requisite information from the company vide release dated 05 May, 2016.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jan-2016	Cash Credit	Long Term	INR 5	SMERA BB- / Stable
	Term Loan	Long Term	INR 3.5	SMERA BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB- / Stable

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ABOUT SMERA

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