

Press Release

Litecon Industries Private Limited (LIPL)

04 May, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	SMERA BB/Outlook: Stable (Upgraded from SMERA BB-/Stable)

*Refer annexure for details

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

The upgrade is in view of growth in revenues along with debt protection indices of the company. SMERA believes that going ahead the company will sustain growth in revenues and profitability margins over the medium term.

Incorporated in 2010, LIPL is promoted by Mr. Chandresh Sanghani and family. The company is engaged in the manufacturing of Autoclaved Aerated Concrete (AAC) Blocks and Panels. Its manufacturing unit is based out of Surat (Gujarat) with a capacity of 1,50,000 Cubic Meters of blocks per annum.

Key rating drivers

Strengths

Experienced management

Incorporated in 2010, LIPL is promoted by Mr. Chandresh Sanghani and family. Mr. Chandresh Sanghani has around two decades of experience into trading of construction material.

Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs.19.03 crore as on 31 March, 2017 supported by subordinated unsecured loans. The gearing stood low at 0.24 times as on 31 March, 2017 as against 0.41 times as on 31 March, 2016. The ICR stood at 2.52 times in FY2017 as compared to 2.21 times in FY2016. The DSCR stood at 1.07 times in FY2017 as compared to 1.04 times in FY2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive with Gross Current Assets (GCA) of 207 days on account of high debtor levels of 169 days in FY2017 as against GCA days of 182 and debtor days of 145 in FY2016.

Vulnerability to cyclical in construction and real estate industry

LIPL is engaged in the manufacturing of Autoclaved Aerated Concrete (AAC) Blocks and Panels which is used largely in the real estate and infrastructure industries. Hence, its performance is directly linked to the performance of the aforementioned industries eventually making it exposed to cyclical in construction and real estate industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of LIPL to arrive at the rating.

Outlook – Stable

SMERA believes that LIPL will maintain a 'Stable' outlook 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 the 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.16	23.13	21.02
EBITDA	Rs. Cr.	3.53	3.43	3.06
PAT	Rs. Cr.	0.71	0.52	0.54
EBITDA Margin (%)	(%)	14.60	14.81	14.54
PAT Margin (%)	(%)	2.92	2.23	2.58
ROCE (%)	(%)	10.06	9.28	8.21
Total Debt/Tangible Net Worth	Times	0.24	0.41	0.69
PBDIT/Interest	Times	2.52	2.21	3.12
Total Debt/PBDIT	Times	1.29	2.00	3.12
Gross Current Assets (Days)	Days	207	182	193

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

None

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
03-Mar-2017	Cash Credit	Long Term	5.00	SMERA BB- / Stable (Reaffirmed)
	Term Loan	Long Term	3.50	SMERA BB- / Stable (Reaffirmed)
11-Jan-2016	Cash Credit	Long Term	5.00	SMERA BB- / Stable (Assigned)
	Term Loan	Long Term	3.50	SMERA BB- / Stable (Assigned)

***Annexure - Details of instruments rated**

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

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ABOUT SMERA

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