

Lalani Suitings Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit *	2.50	SMERA BB-/Stable (Assigned)
Term Loan #	6.25	SMERA BB-/Stable (Assigned)

*Cash credit includes sub limit of book debts Rs.1.00 crore up to 60 days.

#Term loan includes sub limit of FLC Rs.6.17 crore.

SMERA has assigned long-term rating of '**SMERA BB-'** (read as **SMERA double B minus**) on the Rs.8.75 crore bank facilities of Lalani Suitings Private Limited (LSPL). The outlook is '**Stable**'.

For arriving at the ratings, SMERA has combined the business and financial risk profiles of Lalani Suitings Private Limited (LSPL), Lalani Sulz Fab Private Limited (LSFPL), Prakash Synthetics (PS) and M R Fabrics (MRF), together referred to as the 'Lalani Group'. The consolidation is in view of the common ownership and similar business models of the entities.

The rating draws support from the group's long track record of operations and experienced management. The rating also factors in the moderate financial risk profile marked by low gearing and moderate interest coverage. However, the rating is constrained by the stressed liquidity (91 per cent bank limit utilised from October 2015 to March 2016) and exposure to intense competition in the textile industry. Further, the rating also takes into account the exposure of operating margins to raw material fluctuation risk.

The Lalani Group promoted by Mr. Moti Lal Lalani, Mr. Harak Chand Lalani and Mr. Pankaj Kumar Lalani is engaged in the manufacturing and trading of grey fabrics. The promoters possess experience of around two decades in the textile industry.

The group's moderate financial risk profile is reflected in the high debtor days of 102 days as on March 31, 2015 and moderate interest coverage ratio of 1.51 times in FY2014-15. The group reported comfortable gearing of 0.94 times in FY2014-15 and net profit margin of 0.86 per cent in FY2014-15. However, it faces intense competition from several players in the unorganised segment of the textile industry.

Outlook: Stable

SMERA believes that the Lalani group will maintain a stable outlook in the medium term owing to the experience of the promoters. The outlook may be revised to 'Positive' in case of improvement in capital structure while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and capital structure.

Rating Sensitivity Factors

- Scaling up of operations while maintaining margins
- Management of working capital funds

Criteria applied to arrive at the rating:

- Manufacturing Entities
- Consolidation

About the Company

The Rajasthan-based LSPL, part of the Lalani Group was established in 1994. Headed by Mr. Moti Lal Lalani and Mr. Harak Chand Lalani, the company is engaged in the manufacture of grey fabric.

About the Group

The Rajasthan-based Lalani Group, established in 1994, is engaged in the manufacture and trading of grey fabrics. It comprises four entities viz. Lalani Suitings Private Limited (LSPL), Lalani Sulz Fab Private Limited (LSFPL), Prakash Synthetics (PS) and M R Fabrics (MRF).

For FY2014-15, the group reported net profit after tax of Rs.0.42 crore on total income of Rs.48.28 crore. It registered revenue of Rs.48.90 crore (provisional) during April 2015 to March 2016 and the net worth stood at Rs.12.15 crore as on March 31, 2015 as compared with Rs.11.25 crore a year earlier. The total debt of Rs.19.30 crore includes unsecured loans of Rs.7.94 crore that are subordinated to bank debt as on March 31, 2015.

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ABOUT SMERA

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