

Press Release

Lalani Suitings Private Limited

February 19, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	ACUITE BB-/Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 8.75 Crore Bank facilities of Lalani Suitings Private Limited (LSPL). The outlook is '**Stable**'.

LSPL is a part of the Lalani Group (LG) based at Rajasthan, and was incorporated in 1991. The group is Promoted by the Lalani family viz. Mr. Moti Lal Lalani, Mr. Harak Chand Lalani and Mr. Pankaj Kumar Lalani. The group comprises of Lalani Suitings Private Limited (incorporated in 2002), Lalani Sulz Fab Private Limited (incorporated in 2007), Prakash Synthetic (PS) and M.R. Fabrics (established in 1991) and M. R. Fabrics (established in 1993). LG is engaged in the manufacturing and trading of grey fabrics at Bhilwara (Rajasthan).

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Lalani Suitings Private Limited (LSPL), Lalani Sulz Fab private limited (LSPL), Prakash Synthetic (PS) and M.R. Fabrics (MRF) together referred to as the 'Lalani Group'. The consolidation is in view of the similar line of business, operational and financial synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

LG was established in 1991 and hence, has a long track record of nearly three decades. Further, the promoters Mr. Moti Lal Lalani, Mr. Harak Chand Lalani and Mr. Pankaj Kumar Lalani have gained good insight about the textile industry via their rich experience of over 3 decades in the aforementioned industry. The extensive experience of the promoters coupled with an established track record of operations has enabled the group in developing healthy relations with their customers and suppliers. Acuité believes that LG will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Above average financial risk profile**

The financial risk profile of the group is above average marked by moderate capitalization levels and moderate debt protection metrics. The net worth of the group stood at Rs.21.02 crore as on 31 March 2019 as against Rs.19.04 crore as on 31 March 2018. The gearing of the group stood low at 0.40 times as on 31 March 2019 as against 0.53 times as on 31 March 2018. Total outside liabilities to total net worth stood low at 0.52 times as on 31 March 2019 as compared to 0.90 times as on 31 March 2018.

The total debt of Rs.8.34 crore consist term loans of Rs.2.61 crore and working capital borrowings of Rs.5.72 crore as on 31 March 2019. The interest coverage ratio (ICR) of the group stood at 1.94 times in FY2019 as compared to 2.01 times in FY2018. The debt service coverage ratio (DSCR) of the group stood moderate at 1.31 times in FY2019 as compared to 1.30 times in FY2018.

Acuité believes that the financial risk profile of LG will continue to remain above average over the medium term due to moderate scale of operations and debt protection measures.

Weaknesses

- **Intensive working capital management**

LG's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 226 days as on March 31, 2019 as compared to 217 days in the previous year. The inventory holding period of the group stood at 70 days in FY2019 as against 50 days in FY2018. The debtor collection period of the group improved to 104 days in FY2019 as compared to 138 days in FY2018. Further the creditor payback period stood around 20 days as on 31st March 2019 as against 63 days in the previous year. The bank limit utilization of LG stood around 70-75 percent for the last 12 months ending on 31st January 2020.

• Highly fragmented and competitive industry and decline in the sales levels:

The group operates in textile industry which is highly fragmented with limited entry barriers wherein the presence of a large number of players in the unorganized sector limits its bargaining power with customers. The particular sector is also marked by the presence of several mid to big size players which leads to intense competition from the other players in the sectors. Further the operating income of the group saw a decline to Rs. 38.78 crores in FY2019 as against Rs. 46.56 crores in the previous year.

Key Rating Sensitivity Factors

- Significant improvement in revenues while improvement in profitability levels.
- Significant elongation in working capital.

Liquidity Position: Adequate

LG has adequate liquidity marked by net cash accruals to its maturing debt obligations. The group generated cash accruals of around Rs.1.63 crore in FY2019, while its maturing debt obligations were Rs.0.82 crore over the same period. The group's working capital operations are intensive in nature marked by high gross current asset (GCA) days of 226 in FY 2019 as against 217 days in the previous year. The group maintains unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2019. The current ratio of the group stood at 2.60 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of sufficient cash accruals against maturing debt obligations.

Outlook: Stable

Acuité believes that the Lalani group will maintain a 'Stable' outlook on account of extensive experience of promoter group and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant increase in the scale of operations while maintaining adequate asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of pressure on capitalization or deterioration in profitability and asset quality metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	38.78	46.56
Profit After Tax (P.A.T.)	Rs. Cr.	0.92	0.85
PAT Margin	(%)	2.36	1.82
Total Debt/Tangible Net Worth	Times	0.40	0.53
PBDIT/Interest	Times	1.94	2.01

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
Dec-05-2018	Cash Credit	Long Term	3.05	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	2.84	ACUITE BB/Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.86	ACUITE BB-/Stable (Assigned)
12-Oct-2017	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	6.25	ACUITE BB-/Stable (Reaffirmed)
03-Aug-2016	Cash Credit	Long Term	2.50	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	6.25	ACUITE BB-/Stable (Assigned)

*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	3.05	ACUITE BB-/Stable (Reaffirmed)
Term Loan	31-07-2013	Not Applicable	31-07-2023	2.70 (Revised from Rs. 2.84 cr.)	ACUITE BB-/Stable (Reaffirmed)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	3.00 (Revised from Rs. 2.86 cr.)	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency

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