

## Press Release

### Lakshmi Galaxy Enterprises (LGE)

March 11, 2017

### Rating Assigned

|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.11.56 Cr                 |
| <b>Long Term Rating</b>             | SMERA B+ /Stable (Assigned) |
| <b>Short Term Rating</b>            | SMERA A4 (Assigned)         |

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term ratings of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A Four**) on the Rs.11.56 cr bank facilities of Lakshmi Galaxy Enterprises (LGE). The outlook is '**Stable**'.

LGE was established in 2004 as a proprietary concern by Mr. S. Lakshmi Padmavathi. The firm is engaged in the cutting and processing of granite slabs.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management and established track record of operations:** The firm was promoted by Mr. S Lakshmi Padmavathi who possesses around a decades experience in the granite industry.

#### Weaknesses:

**Average financial risk profile:** The firm has average financial risk profile marked by low net worth of Rs.2.00 cr as on 31st March 2016. The gearing stood high at 3.37 times as on March 31, 2016 as against 0.98 times as on March 31, 2015. The interest coverage ratio stood at 2.69 times for FY2015-16 as against 3.31 times in the previous year.

**Small scale of operations:** The scale of operations has been modest with revenue of Rs.22.74 cr in FY2015-16 and Rs.16.89 cr in FY2014-15 in spite of the long track record of over a decade in the industry.

**Foreign exchange fluctuation risk:** The firm's business is exposed to fluctuations in foreign exchange rates as the firm generates 90 percent revenue from export to China.

**Inherent risk of capital withdrawal:** The proprietorship constitution of the firm is yet another factor that renders it vulnerable to withdrawal of capital and the same has been observed in the past.

**Analytical approach:** SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

**Applicable Criteria**

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

**Outlook: Stable**

SMERA believes that LGE will maintain a stable outlook over the medium term owing to its promoter's experience in the industry. The outlook may be revised to 'Positive' in case the firm registers more than anticipated growth in revenues, and achieves sustainable profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the financial risk profile.

**About the Firm**

LGE, established in 2004, is an Andhra Pradesh-based proprietorship concern owned by Mr. S. Lakshmi Padmavathi. The firm is engaged in the cutting and processing of granite slabs at Ongole, Andhra Pradesh. The firm generates 90 per cent revenue from export of granite slabs to China and the balance from the domestic market.

For FY2015-16, the firm reported Profit after tax (PAT) of Rs.0.71 cr on operating income of Rs.22.71 cr as against Profit after tax (PAT) of Rs.0.44 cr on an operating income of Rs.16.89 cr for FY2014-15. The net worth stood at Rs.7.53 cr as on March 31, 2016 against Rs.4.75 cr a year earlier.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

| Name of Instrument /Facilities | FY2017 |                    |                                | FY2016 |        | FY2015 |        | FY2014 |        |
|--------------------------------|--------|--------------------|--------------------------------|--------|--------|--------|--------|--------|--------|
|                                | Scale  | Amount (Rs. Crore) | Rating with Outlook            | Date   | Rating | Date   | Rating | Date   | Rating |
| Cash Credit                    | LT     | 3.50               | SMERA B+ /Stable<br>(Assigned) | -      | -      | -      | -      | -      | -      |
| Term Loan                      | LT     | 0.94               | SMERA B+ /Stable<br>(Assigned) | -      | -      | -      | -      | -      | -      |
| Letter of Credit               | ST     | 0.56               | SMERA A4<br>(Assigned)         | -      | -      | -      | -      | -      | -      |
| Letter of Credit               | ST     | 3.80               | SMERA A4+<br>(Assigned)        | -      | -      | -      | -      | -      | -      |
| Foreign Bill Negotiation       | ST     | 1.00               | SMERA A4+<br>(Assigned)        | -      | -      | -      | -      | -      | -      |
| PC/PCFC                        | ST     | 1.50               | SMERA A4+<br>(Assigned)        | -      | -      | -      | -      | -      | -      |
| Proposed Fund based            | LT     | 0.26               | SMERA B+ /Stable<br>(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              | N.A              | N.A         | N.A           | 3.50                          | SMERA B+ /Stable (Assigned) |
| Term Loan                | N.A              | N.A         | 2021          | 0.94                          | SMERA B+ /Stable (Assigned) |
| Letter of Credit         | N.A              | N.A         | NA            | 0.56                          | SMERA A4 (Assigned)         |
| Letter of Credit         | N.A              | N.A         | NA            | 3.80                          | SMERA A4 (Assigned)         |
| Foreign Bill Negotiation | N.A              | N.A         | N.A           | 1.00                          | SMERA A4 (Assigned)         |
| PC/PCFC                  | N.A              | N.A         | N.A           | 1.50                          | SMERA A4 (Assigned)         |
| Proposed Fund based      | N.A              | N.A         | N.A           | 0.26                          | SMERA B+ /Stable (Assigned) |

**Note on complexity levels of the rated instrument:**

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

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|--|--|
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## ABOUT SMERA

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