

Press Release

LALIT MINING IMPEX PRIVATE LIMITED

November 01, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 8.00 crore bank facilities of LALIT MINING IMPEX PRIVATE LIMITED. The outlook is '**Stable**'.

Lalit Mining Impex Private Limited (LMIPL), the erstwhile Lalit Mining & Petrochemicals Private Limited, was incorporated in 2001. The Faridabad-based company is engaged in the trading of spare parts of earthmoving machines and lubricants. The company purchases products from the domestic market and also imports from Korea and China. The products are sold to customers across India.

Key Rating Drivers

Strengths

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

LMIPL, incorporated in 2001 is managed and promoted by Mr. S.C. Gupta, Mr. Lalit Gupta and Mrs. Veena Gupta who possess experience of over a decade in the automobile engineering industry.

- **Established relationship with suppliers**

The company has established long term relations with its overseas suppliers - Powertek Hydraulic Breaker, Tonymyung Hydraulics, Usco Spa among others.

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile is marked by low net worth, high gearing and moderate coverage indicators. The net worth stood at Rs. 3.96 crore as on 31 March, 2017 (Provisional) compared to Rs.3.01 crore in FY2016. The net worth of the company includes unsecured loans of Rs.1.04 crore as on 31 March, 2017 as compared to Rs.0.67 crore in the previous year, from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. The gearing (debt-to-equity) stood high at 2.42 times as on 31 March, 2017 (Provisional) as against 2.88 times in the previous year. The high gearing is on account of low networth of Rs.3.96 crore as against total debt of Rs.9.59 crore in FY2016-17. The total debt includes unsecured loan of Rs. 4.74 crore and working capital limit of ~ Rs 4.86 crore. The interest coverage ratio stood moderate at 1.39 times in FY2016-17 (Provisional) against 1.57 times in FY2015-16. The net cash accrual to total debt stood at (NCA/TD) Rs.0.05 times in FY2017 (Provisional) as against 0.06 times in FY2016.

- **Stretched working capital cycle**

The working capital cycle is stretched evident from the high gross current assets (GCAs) of 257 days in FY2016-17 (Provisional) compared to 181 days in FY2015-16. The high GCA days in FY2017 is on account of high inventory of 199 days. However, the realisation from debtors stood at a moderate 62 days. Further, the liquidity profile is stretched as the company has fully utilised its working capital limits.

• Intense competition

The company faces intense competition from various established players in the industry which is likely to impact its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term on the back of its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant and sustainable improvement in operating income while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the working capital cycle or if it takes on any debt funded capital expansion.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.28.50 crore, compared with PAT of Rs.0.33 crore on operating income of Rs.33.80 crore in FY2015-16. The net worth stood at Rs.3.96 crore as on 31 March, 2017 (Provisional) against Rs.3.01 crore a year earlier. The net worth of Rs.3.96 crore in FY2017 includes quasi equity of Rs.1.04 crore.

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

CRISIL, wide release dated July 17, 2017 had inter-alia mentioned the following: Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Lalit Mining And Petrochemicals Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Lalit Mining And Petrochemicals Private Limited is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL CRISIL B-/Stable/CRISIL A4.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

Not Applicable

*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	6.00	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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ABOUT SMERA

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