

Press Release

Lagan Engineering Company Limited (LECL)

27 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA D
Short Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D' (read as SMERA D)** and short term rating of '**SMERA D' (read as SMERA D)** on the Rs. 12.00 crore bank facilities of Lagan Engineering Company Limited (LECL).

Incorporated in 1955 by James Mackie & Sons, a Northern Ireland based company, Lagan Engineering is engaged in the manufacturing of jute machinery (drawing machines, draw heads, carding machines, looms and spreaders) at Hooghly, West Bengal. The machinery is mainly sold in West Bengal and Bangladesh. The administrative office is located at Kolkata.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

LECL has long track of over six decades in the manufacturing of jute machineries. The company is led by Mr. Anirudh Kajaria and family.

Weaknesses

Delays in repayment of debts

The rating reflects delays in servicing of debt obligations. The term loan principle and interest is overdue from September 2017. The account is classified as SMA 2. The total amount overdue is Rs 1.98 crore as on 30th November'17. The cash credit account is fully utilised and sufficient balance is not available for payment of the term loan.

Below average financial risk profile

The financial risk profile is below average marked by low net worth, high gearing and weak debt protection metrics. The net worth stood at a low of Rs 2.96 crore in FY2016 as against Rs 4.80 crore in FY2015. The debt-equity stood high at 3.84 times in FY2016 compared to 3.57 times in FY2015. The interest coverage was at 0.26 times in FY2016 as compared to (0.18) in FY 2015.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of LECL.

About the Rated Entity - Key Financials

	Unit	FY16 (Actual)	FY15 (Actual)	FY14 (Actual)
Operating Income	Rs. Cr.	10.23	5.35	13.85
EBITDA	Rs. Cr.	0.54	(0.38)	0.37
PAT	Rs. Cr.	(1.84)	(3.39)	(2.72)
EBITDA Margin	(%)	5.26	(7.12)	2.66
PAT Margin	(%)	(18.01)	(63.42)	(19.62)
ROCE (%)	(%)	(2.79)	(8.79)	(3.90)
Total Debt/Tangible Net Worth	Times	3.84	3.57	2.34
PBDIT/Interest	Times	0.26	(0.18)	0.30
Total Debt/PBDIT	Times	19.88	(40.45)	29.97
Gross Current Assets (Days)	Days	696	1447	492

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

None

Any other information

None

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)

Not Applicable

*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	5.50	SMERA D
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.86	SMERA D
Proposed	Not Applicable	Not Applicable	Not Applicable	1.14	SMERA D
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA D
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA D

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