

Press Release

Lakshmanan Isola Private Limited

May 15, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.95 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 to '**SMERA B** (**read as SMERA B**) and short term rating of '**SMERA A4** (**read as SMERA A four**) on the Rs.8.95 crore bank facilities of Lakshmanan Isola Private Limited. The outlook is '**Stable**'.

Lakshmanan Isola Private Limited (LIPL) was established in 1976 in collaboration with Swiss Insulating Works then known as ISOLA. It was incorporated by Mr. A S Lakshmanan and located at Bangalore. The company is a part of Senapathy Group and is engaged in manufacturing of mica paper, FR cables and traction motor which are used in electrical insulation.

Key rating drivers

Strengths:

Established track record of operations and experienced promoter: The company is engaged in manufacturing of mica paper, FR cables and traction motor since 1976. The promoter, Mr. A S Lakshmanan possess over four decades of experience in electric insulation industry.

Weaknesses:

Small scale of operations: The scale of operations is small with operating income of Rs.17.67 crore in FY2017 as against Rs.19.65 crore in FY2016. Further, as informed by the management, LIPL reported operating revenue of Rs.13.50 crore from April, 2017 to January, 2018.

Below average financial risk profile: LIPL has a below average financial risk profile marked by low net worth of Rs.4.25 crore as on 31 March, 2017 compared to Rs.4.37 crore as on 31 March, 2016. The gearing stood at 2.36 times as on 31 March, 2017 as against 2.34 times as on 31 March, 2016. The total debt of Rs.10.04 crore comprises term loan of Rs.0.06 crore from bank, unsecured loans from related parties of Rs.1.49 crore and working capital funds of Rs.8.49 crore as on 31 March, 2017. The interest coverage ratio stood at 1.33 times in FY2017 as against 0.40 times in FY2016. The net cash accruals stood at Rs.0.49 crore as against repayment obligation of Rs.0.06 crore in FY2017. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

Working capital intensive nature of operations and stretched liquidity: The operations of are working capital intensive in nature marked by Gross Current Assets (GCA) days of 197 in FY2017 and 205 in FY2016. The GCA days are high on account of stretched debtor days of 85 in FY2017 as against 56 in FY2016 and high inventory holding period of 94 days in FY2017 as against 127 days in FY2016. The liquidity position of the company is stretched as the cash credit limit has been fully utilised during the last six months ended 31 January, 2018.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Lakshmanan Isola Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on LIPL will remain 'Stable' over the medium term on account of its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case of strong growth in scale of operations with sustained improvement in profit margin and improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability, and working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.67	19.65	19.56
EBITDA	Rs. Cr.	1.06	0.41	0.23
PAT	Rs. Cr.	(0.13)	(0.96)	(1.12)
EBITDA Margin	(%)	5.99	2.11	1.15
PAT Margin	(%)	(0.74)	(4.88)	(5.73)
ROCE	(%)	7.22	(1.33)	(5.50)
Total Debt/Tangible Net Worth	Times	3.00	3.25	2.91
PBDIT/Interest	Times	1.33	0.40	0.24
Total Debt/PBDIT	Times	9.48	24.65	46.82
Gross Current Assets (Days)	Days	197	205	246

Any other information:

Not Applicable

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>

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

None

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	7.25	SMERA B/ Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Assigned)
FDBP/FUBP	Not Applicable	Not Applicable	Not Applicable	0.50*	SMERA A4 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.10#	SMERA A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA A4 (Assigned)

*Fully interchangeable to cash credit

#Fully interchangeable to buyer's credit

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ABOUT SMERA

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