

Press Release

L P F Systems Private Limited

June 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 36.75 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+** (**read as ACUITE BB plus**) and short term rating of '**ACUITE A4+** (**read as ACUITE A four plus**) on the Rs.36.75 crore bank facilities of L P F Systems Private Limited. The outlook is '**Stable**'.

LPF Systems Private Limited (LSPL), based in Hyderabad was incorporated as a partnership firm in 1982. Later in 1997, it was converted into private limited company. It is promoted and managed by Mr. Venu Vinod. The company is engaged in trading of engineering products, automotive spares, welding alloys, passenger car spare parts for TATA passenger cars, Greaves cotton limited, M/s. L & T Ltd. and Shell lubricants.

Key Rating Drivers

Strengths

- Long track record and experienced management**

LSPL was incorporated in 1982 by Mr. Venu Vinod (Managing Director) who has an experience of more than three decades in different fields like trading, manufacturing and real estate. The company has more than 1000 retailer network to market the spares for the brands. Mr. Venu Vinod is also the promoter of Recon Technologies Pvt. Ltd, Srivilas Hydrotech Pvt. Ltd. and Cyber City Builders & Developers Pvt. Ltd. These companies are in different line of business like manufacturing and real estate and are being managed independently.

- Reputed dealership contracts resulting in diversified revenueprofile**

LSPL is engaged in trading of engineering products and automobile spares for TATA passenger cars, Greaves cotton limited and Shell lubricants and also in the service of LCVs of VE commercial vehicles limited. The company was an authorised stockiest of M/s. L & T Ltd for welding alloys and accessories. Thus, the company has exposure to wide customer base and is partially safeguarded from downturn in any one segment.

- Average financial risk profile**

The company has average financial risk profile marked by net worth of Rs.11.95 crore as on 31 March, 2017 compared to Rs.10.79 crore as on 31 March, 2016. The gearing stood at 3.02 times as on 31 March, 2017 as against 3.10 times as on 31 March, 2016. The total debt of Rs.36.05 crore comprises of channel financing loan of Rs.18.03 crore from banks, long term loan Rs.4.67 crore, working capital funds of Rs.12.82 crore and unsecured loans from related parties of Rs.0.53 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 1.61 times in FY2017 as against 1.76 times in FY2016. Debt Service Coverage Ratio stood at 0.97 times in FY2017 as against 1.50 times in the previous year. The net cash accruals stood at Rs.1.55 crore as against repayment obligation of Rs.0.48 crore in FY2017.

Weaknesses

- **Competitive nature of the industry**

The rating continues to reflect the highly competitive and fragmented nature of the automotive components industry. Consequently, the company faces stiff competition from other dealers and automobile companies like Mahindra & Mahindra, Ashok Leylands, Hyundai Motors Limited among others.

- **Uneven operating margins**

The operating margins have shown declining trend for the period FY2015-17, EBITDA margins stood at 5.41 percent in FY2017 as compared to 5.86 percent in FY2016 and 6.06 percent in FY2015. The PAT margins stood at 1.07 percent in FY2017 as compared to 1.38 percent in FY2016 and 1.55 percent in FY2015.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of LSPL to arrive at the rating.

Outlook: Stable

Acuité believes that LSPL will maintain a 'Stable' business risk profile over the medium term. The concern will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the concern registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	107.81	108.43	90.60
EBITDA	Rs. Cr.	5.83	6.36	5.49
PAT	Rs. Cr.	1.15	1.50	1.40
EBITDA Margin (%)	(%)	5.41	5.86	6.06
PAT Margin (%)	(%)	1.07	1.38	1.55
ROCE (%)	(%)	11.78	16.01	34.55
Total Debt/Tangible Net Worth	Times	3.02	3.10	2.09
PBDIT/Interest	Times	1.61	1.76	1.92
Total Debt/PBDIT	Times	6.18	5.26	3.53
Gross Current Assets (Days)	Days	131	131	118

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	12.00	ACUITE BB+ / Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+

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About Acuité Ratings & Research:

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