

Press Release

Lito Sanitary Wares

July 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.95 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 5.95 crore bank facilities of Lito Sanitary Wares. The outlook is 'Stable'.

Lito Sanitary Wares is a partnership firm in Rajkot (Gujarat) established by Mr. Nayan Khokhani, Mr. Shaileshbhai Shirvi, Mr. Rupesh Khokhani, Mr. Dharmender Kripalani and others. The firm was established in June 2016, while commercial operations of the firm began in August, 2017. The firm is engaged in manufacturing of ceramic sanitary ware products like wash basins, Indian and western toilet seats, pedestals among others with an installed capacity of 225000 pieces per annum.

Key Rating Drivers

Strengths

• Experienced management

The firm was established in June 2016 by Mr. Nayan Khokhani who has five years of experience, Mr. Shaileshbhai Shirvi and Mr. Rupesh Khokhani who hold more than six years of experience, and Mr. Dharmender Kripalani who has more than twenty years of experience in the construction materials industry, and other partners. Previously, the other partners were involved in trading as well as manufacturing of sanitary ware products. Acuite believes that Lito Sanitary Wares will be able to sustain its business risk profile on the back of experience of the management and established relationships in the industry.

Weaknesses

• Nascent stage of operations

The commercial production for Lito Sanitary Wares began in August 2017 with an installed capacity of 225000 pieces per annum. As on date, the firm has booked revenue of Rs.1.50 crore and it has orders in hand of Rs.0.80 crore. The targeted revenue in FY2019 is 6.60 crore. Unsecured loans may be infused by the partners in the business as and when necessary. Acuite believes that the revenue of the firm will grow over the medium term as the business operations grow on the back of established industry relationships.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Lito Sanitary Wares to arrive at this rating.

Outlook: Stable

Acuite believes that Lito Sanitary Wares will have a 'Stable' outlook in the medium term on the back of experienced partners. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues while improving profitability margins. Conversely, the outlook may be revised to 'Negative' if the firm's revenues or margins are lower than expected or its debt protection indicators deteriorate because of factors like withdrawal of unsecured loans by the partners or debt-funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)
Operating Income	Rs. Cr.	1.56
EBITDA	Rs. Cr.	0.23
PAT	Rs. Cr.	-0.09
EBITDA Margin	(%)	14.56
PAT Margin	(%)	-5.64
ROCE	(%)	4.76
Total Debt/Tangible Net Worth	Times	1.26
PBDIT/Interest	Times	0.73
Total Debt/PBDIT	Times	23.37
Gross Current Assets (Days)	Days	960

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4

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About Acuité Ratings & Research:

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