

Press Release

Lito Sanitary Wares

September 27, 2019



Rating Reaffirmed

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

Acuité has reaffirmed 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 (Lito) 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 such as wash basins, Indian and western toilet seats, pedestals among others with an installed capacity of 225000 pieces per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Lito to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is headed 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, other partners were involved in trading as well as manufacturing of sanitary ware products. Acuité believes that Lito will be able to sustain its business risk profile on the back of experience of the management and established relationships in the industry.

Weaknesses

- **Limited track record of operations**

The firm was established in June 2016 and commenced full-fledged commercial operations in FY2019. Thus, it is still in a nascent stage and there is limited track record of operations.

- **Average financial risk profile**

Lito has average financial risk profile marked by net worth of Rs. 3.79 crore as on March 31, 2019 as compared to Rs. 3.67 crore on March 31, 2018. The gearing has marginally improved to 1.43 times on 31 March, 2019 as compared to 1.55 times as on March 31, 2018. Total debt of Rs. 5.43 crore as on March 31, 2019 includes term loans of bank of Rs. 4.29 crore, Rs. 0.19 crore unsecured loans from promoters and working capital borrowing of Rs. 0.95 crore. The interest coverage ratio (ICR) stood healthy at 1.83 times in FY2019 as against 1.05 times in FY2018. Further, the net cash accruals to total debt stood at 0.09 times for FY2019.

Rating Sensitivity

- Increase in scale of operations, while maintaining stable profit margins.
- Improvement in working capital management.
- Deterioration in financial risk profile due to capital withdrawal.

Material Covenants

None

Liquidity position

Lito has stretched liquidity marked by low net cash accruals to maturing debt obligations. Lito generated cash accruals of Rs. 0.02 to 0.51 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.26 to 0.50 crore for the same period. The cash accruals of Lito are estimated to remain around Rs. 0.6 to 0.9 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 0.6 to 0.7 crore for the same period. Lito maintains unencumbered cash and bank balances of Rs. 0.10 crore as on March 31, 2019. The current ratio of Lito stands healthy at 1.51 times as on March 31, 2019. Lito is not likely to incur any major capex to be funded by external borrowing in the medium term. Acuité believes that the liquidity of PSPL is likely to remain stretched over the medium term on account of initial stage of operations.

Outlook: Stable

Acuité 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.15	1.56	-
EBITDA	Rs. Cr.	1.11	0.35	-
PAT	Rs. Cr.	-0.34	-0.95	-
EBITDA Margin (%)		21.50	22.11	-
PAT Margin (%)		-6.52	-61.05	-
ROCE (%)		2.99	-13.03	-
Total Debt/Tangible Net Worth	Times	1.43	1.55	-
PBDIT/Interest	Times	1.83	1.05	-
Total Debt/PBDIT	Times	4.83	15.76	-
Gross Current Assets (Days)	Days	384	972	-

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

Not applicable.

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jul-2018	Term Loan	Long Term	4.5	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	0.5	ACUITE A4 (Assigned)
	Cash Credit	Long Term	0.95	ACUITE B / Stable (Assigned)

***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 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE B / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Sushmita Murai Analyst - Rating Operations Tel: 022-49294045 sushmita.murai@acuite.in	

About Acuité Ratings & Research:

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