

## Press Release

Lords Mark Industries Private Limited

July 24, 2018

Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 42.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.42.00 crore bank facilities of Lords Mark Industries Private Limited. The outlook is '**Stable**'.

Incorporated in 1998, Lords Mark Industries Private Limited (LMPL) is engaged in manufacture of continuous computer stationery & copier paper. The company also manufactures Solar & LED lighting products. The company's manufacturing facility is located at Silvassa (Dadra and Nagar Haveli) for printing and slitting. The facility has installed capacity to process about 8,000 tons per annum of printed continuous stationery, 15000 tons per annum of copier paper (slitting) and manufacture of 10 lakh units of printed circuit boards per annum used in LED lights.

### Key Rating Drivers

#### Strengths

- **Experienced management and long operational track record**

LMPL is promoted by Mr. Sachidanand Upadhyay and Mr. Dinesh Tiwari. The promoters possess over two decades of experience in the paper industry. Mr. Sachidanand Upadhyay looks after the finance & marketing. Mr. Dinesh Tiwari looks after the operations of the business. LMPL started the business in 2005 as a trader of paper and paper reels. In 2006, they diversified into value added operations of slitting the paper reels into copier sheet and supplying to wholesale market. And in the same year, it got registered with DGS&D for supply of continuous stationery (printed) under rate contract basis and over a period, it got elevated as 'A' grade vendor of the department. DGS&D is basically a procurement agency of Government of India (GoI) for supplies to various departments.

To diversify further, the company entered into LED division in 2016, and is one of the three SME's and 16 corporates for supply of solar LED lighting systems for a period of six years, with five years of replacement business. LMPL benefits from the Government of India's policy of reserving 11 percent of material sourcing through SME's; further, they are also entitled for annual maintenance services.

Healthy relations with the departments and regular quality supplies by the team lead to steady growth in revenues. Its revenues have improved at a healthy compound annual growth rate (CAGR) of about 27 percent over four years through FY2018 at Rs.150.00 crore (Provisional) in FY2018. Further, LMPL has an order book of about Rs.100 crore each for paper and solar division for deliverables in FY2019. Acuite believes that long operational track record of the company and experienced management is expected to support in improvement of its business risk profile over the medium term.

- **Diversified revenue profile**

LMPL has two diversified business streams – paper products and Solar LED division. Under the paper products division, LMPL supplies printed stationery (reservation charts and railway tickets) and other stationery material for 18 Railway zones of Indian Railways. It also supplies to 48 postal store depots of India Posts of printed stationery such as postal acknowledgement slips, renewal receipts, policy

bonds among others. Apart from the Government supplies, it also sells to major corporates like SAIL, LIC of India, Banks among others. Under this division, LMPL has reported revenues of about Rs.100.9 crore (Provisional) in FY2018.

In Solar LED division, the entity supplies Solar Street Lights, Solar Home Lighting Systems and Solar Lantern; it has in-house manufacturing unit of printed circuit boards. It sources LED luminal from Philips, batteries from Hyderabad Batteries Limited and Exide Industries Limited and solar panels from registered vendors for assembling and supplies. The thrust for solar power penetration and Govt's support has given a big boost to its revenues; in FY2017, it reported revenues of Rs.40.00 crore, Rs.48.00 crore in FY2018. Its major customers include Uttar Pradesh New and Renewable Energy Development Agency, Armed Forces Medical Stores, LIC of India, South Central Railways, SAIL among others.

Acuite believes that steady revenue stream of paper division at about one billion rupees and increasing penetration for solar lighting devices is expected to support LMPL's growth in revenues while diversifying the concentration of revenues in the past.

#### • **Moderate financial risk profile**

The financial risk profile is marked by moderate net worth, healthy gearing (debt-to-equity) and debt protection metrics. The net worth is moderate at Rs.31.89 crore as on 31 March, 2018 (Provisional) against Rs.30.43 crore in FY2017. Gearing is healthy at 1.08 times as on March 31, 2018 (Provisional), deteriorated from 0.84 times as on March 31, 2017 due to increasing scale of revenues and incremental working capital requirement. LMPL's net cash accruals in FY2018 is about Rs.2.95 crore (Provisional) against repayment obligations of about Rs.0.42 crore (Provisional), and marginal unutilised balances of about 10 percent in the working capital limits are expected to keep the liquidity comfortable. Also, LMPL's debt protection metrics are moderate with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) of 1.70 times and 0.09 times respectively for FY2018 (Provisional). As there is no significant capex envisaged over the medium term, and with improving revenues and diversified product portfolio, Acuite believes that the financial risk profile is expected to improve over the medium term.

### **Weaknesses**

#### • **Working capital intensive operations**

The operations are working capital intensive as evident from Gross Current Asset (GCA) days of 151 as on March 31, 2018 (Provisional). The working capital is majorly in the form of inventory and debtors. The company maintains an average inventory of about two months of its cost of sales; high inventory is to maintain adequate stock across the product varieties to meet the customer's demand across locations. The company offers credit period of about 60 days to its customers. The holding levels increasing revenue at a CAGR of about 27 percent over the past four years, lead to high utilisation of its bank lines at 91 percent over the past six months through May, 2018. Acuite believes that with the expected growth in revenues at about 15-20 percent over the medium term is expected to keep the operations working capital intensive.

#### • **Exposure to risks related to tender-based businesses and intense competition**

The company has to compete with large players, which operate in sectors including paper and solar LED systems. Also, as all sales are tender-based, revenue depends on the ability to bid successfully. The operating profitability margins are limited to around 5 percent due to competition, tender based operations and volatile raw material prices.

### **Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of the LMPL to arrive at this rating.

### Outlook: Stable

Acuite believes that LMPL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant improvement in revenues and working capital management while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and Liquidity.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	150.73	130.45	87.24
EBITDA	Rs. Cr.	8.67	6.23	4.88
PAT	Rs. Cr.	1.46	1.12	0.89
EBITDA Margin	(%)	5.75	4.77	5.59
PAT Margin	(%)	0.97	0.86	1.02
ROCE	(%)	11.79	10.87	12.10
Total Debt/Tangible Net Worth	Times	1.08	0.84	1.56
PBDIT/Interest	Times	1.70	2.09	2.06
Total Debt/PBDIT	Times	3.98	4.09	3.59
Gross Current Assets (Days)	Days	151	157	104

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

None

### \*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	15.00	ACUITE BBB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 (Assigned)

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### About Acuité Ratings & Research:

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