

Press Release

Leander Commerce Llp

July 26, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs.17.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B**' (**read as ACUITE B**) and short-term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) from **ACUITE A4** (**read as ACUITE A four**) on the Rs.17.50 crore bank facilities of Leander Commerce Llp (LCLLP). The outlook is '**Stable**'.

The upgrade is on account of stabilization of business, improving scale of operations marked by increase in revenues.

LCLLP is a limited liability partnership firm based out of Mumbai (Maharashtra). The firm was established in November 2016 and commenced operations in March, 2018. The firm is engaged in trading of agro-commodities, edible oils, spices, and paper & paper products.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

LCLLP is promoted by Mr. Amith Kumar Jain and Mr. Abhinandan Jain. Mr. Amith Kumar Jain has previously worked for more than a decade in the agro-commodity industry, thereby knowing the workings of the trading business.

Acuité believes that LCLLP will continue to benefit from the promoter's established presence in the industry and its improving its business risk profile over the medium term.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the firm is moderate at around Rs.5.62 crore as on 31 March, 2019 as against Rs.5.19 crore as on 31 March, 2018. The firm has followed a conservative financial policy as reflected by peak gearing of 0.78 times over the last three years through 2018-19. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.76 times as on 31 March, 2019 as against 2.11 times as on 31 March, 2018. The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 1.55 times in FY2019 and 1.53 times in FY2018. Debt Service Coverage Ratio (DSCR) stood at 1.37 times for FY2019 as against 1.33 times in FY2018.

Acuité believes that the financial risk profile of LCLLP will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

- **Nascent stage of operations**

LCLLP was established in November 2016 and commenced operations in March, 2018. It is still in the initial stages of operations and has to consistently demonstrate its performance over the years. Even so, in more than one year of operations, the firm has recorded a revenue of Rs. 47.30 crore. The firm has also recorded around Rs.13.00 crore of revenue for the first quarter of FY2020. Consistent growth in revenue while maintaining operating margins will be a key monitorable in the future.

- **Customer concentration risk**

The firm faces customer concentration risk with more than 80 percent of revenue coming through a single customer. The ability of the firm to target more customers in order to expand their business and reduce their dependency on a single client will be critical.

Outlook: Stable

Acuité believes that LCLLP will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving substantial improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

Liquidity Position

LCLLP has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.05 crore to Rs.0.36 crore during the last three years through 2018-19. The cash accruals of the firm are estimated to remain around Rs.0.59 crore – Rs.0.71 crore during 2020-22. The firm's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 150 in FY2019. This has led to moderate reliance on working capital borrowings, the cash credit limit in the firm remains utilized at 85 percent during the last 12 months period ended June 2019. The firm maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2019. The current ratio of the firm stands healthy at 1.35 times as on March 31, 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of improving cash accruals and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	47.30	8.06	0.09
EBITDA	Rs. Cr.	1.35	0.15	0.06
PAT	Rs. Cr.	0.33	0.03	0.05
EBITDA Margin	(%)	2.85	1.89	74.56
PAT Margin	(%)	0.70	0.41	62.67
ROCE	(%)	15.63	3.48	102.75
Total Debt/Tangible Net Worth	Times	0.78	0.66	4.61
PBDIT/Interest	Times	1.55	1.53	2925.17
Total Debt/PBDIT	Times	2.94	22.49	1.60
Gross Current Assets (Days)	Days	150	720	555

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
30-Jul-2018	Cash Credit	Long Term	5.00	ACUITE B / Stable (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable (Upgraded from ACUITE B/ Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ (Upgraded from ACUITE A4)

Contacts

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About Acuité Ratings & Research:

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