Press Release

L Madanlal (Aluminium) Limited (LMAL)

November 21, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BB-/Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of **'ACUITE BB-' (read as ACUITE B minus)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 8.00 crore bank facilities of L Madanlal (Aluminium) Limited. The outlook is **'Stable'**.

L Madanlal (Aluminium) Limited (LMAL) was incorporated in the year of 1967 and currently managed by Mr. Manoj Kumar Bagaria, Ms. Sulekha Bagaria and Ms. Shivani Bagaria. The company is engaged into manufacturing of aluminium deox with the installed capacity of 65 MTPD. It has registered office located at Kolkata.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

LMAL has been in operations since 1967. The director of the SPPL, Mr. Mr. Manoj Kumar Bagaria, Ms. Sulekha Bagaria and Ms. Shivani Bagaria has more two decades of experiences in aliminium industry.

Above average financial risk profile:

The above average financial risk profile of the company is marked by moderate Networth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.7.23 crore in FY2018 as compared to Rs.6.54 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.11 times in FY2018 as compared to 1.18 times in FY2017. The total debt of Rs.7.99 crore consists of short-term debt of Rs.6.13 crore and Rs.1.78 crore of unsecured loan form promoters. The interest coverage ratio (ICR) of the company stood comfortable at 2.03 times in FY2018 as compared to 1.85 times in FY2017. The debt service coverage ratio (DSCR) of the company stood healthy at 1.59 times in FY2018 as compared to 1.47 times in FY2017. The net cash accruals against the total debt stand comfortable at 0.10 times in FY2018 and 0.09 times in FY2017.

Weaknesses

Moderate scale of operation:

Though the company has started its operation since 1967, the revenue of the company stood moderate at Rs.59.52 crore in FY 2018 as compared to Rs.40.38 crore in FY2017.

Low profitability:

The EBIDTA margin of the company stands low at 2.88 per cent in FY2018 as its declined from 4.73 per cent in the previous year. This is mainly due to increase in the raw material price backed by high demand. The net profitability margin stands moderate at 1.15 per cent in FY2018 as compared to 1.25 per cent in FY2017.

Outlook: Stable

ACUITÉ believes LMAL will maintain a stable outlook in the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and its profitability margin.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY 16 (Actual)
Operating Income	Rs. Cr.	59.52	40.38	61.84
EBITDA	Rs. Cr.	1.71	1.91	1.06
PAT	Rs. Cr.	0.68	0.50	0.10
EBITDA Margin	(%)	2.88	4.73	1.71
PAT Margin	(%)	1.15	1.25	0.15
ROCE	(%)	14.20	14.42	16.41
Total Debt/Tangible Net Worth	Times	1.11	1.18	1.06
PBDIT/Interest	Times	2.03	1.85	1.44
Total Debt/PBDIT	Times	3.58	3.70	5.59
Gross Current Assets (Days)	Days	94	126	82

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
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.htm
- Manufacturing Entities – https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.