

Press Release

Laxmi Narayan Kraft Industries

December 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 11.50 crore bank facilities of Laxmi Narayan Kraft Industries (LNKI). The outlook is '**Stable**'.

Incorporated in 2005, LNKI is a Guwahati (Assam) based partnership concern promoter by Mr. Vivek Aggarwal, Mr. Basant Aggarwal and Mrs. Nisha Agarwal. The firm manufactures corrugated boxes with an installed capacity of 1600 tonnes per annum of corrugated paper.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record and reputed clientele

The firm has established record of more than a decade in the packaging industry. The key promoter, Mr. Vivek Aggarwal has more than a decade of experience in the industry through group entities which has enabled the promoter to develop strong industry insight and establish long standing relationships with suppliers and clients. Further, LNKI has the advantage of being located in Assam which has attracted significant investment from FMCG and pharmaceutical companies in recent years. This is expected to boost the demand for corrugated box and support revenue profile of the firm.

Healthy financial risk profile

The financial risk profile of LNKI is healthy marked by modest adjusted net worth, low gearing and healthy debt protection metrics. The net worth improved from Rs.6.31 crore as on March 31, 2017 to Rs.6.43 crore as on March 31, 2018 supported by internal accrual. The gearing deteriorated on account of higher working capital utilisation but remained healthy at 1.02 times on March 31, 2018 as against 0.70 times as on March 31, 2017. The gearing is expected to remain at similar level with no planned debt led capex in the medium term. Interest Coverage Ratio (ICR) remained healthy at 2.76 times for FY2018 as against 2.77 times for FY2017.

Weaknesses

Moderate scale of operations

The firm's scale of operations is moderate as reflected by its operating revenue of Rs.25.36 crore in FY2018 as against Rs.21.01 crore in FY2017. The profitability remained moderate with an operating margin of 7.44 percent in FY2018 as against 6.98 percent in FY2017. The net profitability improved but remained low at 0.86 percent in FY2018 as against 0.76 percent in FY2017. Going forward, sustainable increase in revenue along with improvement in profitability metrics will remain in key monitorable.

Moderate working capital cycle

LNKI's working capital cycle is moderate marked by Gross Current Assets (GCA) of 144 days in FY2018 as against 140 days in FY2017. The GCA days are mainly on account of inventory of 46 days and credit period extended to customers of 77 days in FY2018 as against 39 days and 86 days respectively in the previous year.

Outlook: Stable

Acuité believes that LNKI will maintain a 'Stable' outlook in the medium term on account of its locational advantage and healthy financial profile. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.36	21.01	15.82
EBITDA	Rs. Cr.	2.49	1.47	1.43
PAT	Rs. Cr.	0.36	0.16	0.08
EBITDA Margin	(%)	7.44	6.98	9.01
PAT Margin	(%)	1.44	0.76	0.49
ROCE	(%)	8.85	6.37	10.70
Total Debt/Tangible NetWorth	Times	1.02	0.70	0.65
PBDIT/Interest	Times	2.76	2.77	2.80
Total Debt/PBDIT	Times	3.48	3.00	3.04
Gross Current Assets (Days)	Days	1.44	140	177

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

Not Available

Any other information

Not Available

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable
Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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