

Press Release

LAMINA FOUNDRIES LIMITED

February 27, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 29.50 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 plus**) and short term rating of '**ACUITE A4+** (**read as ACUITE A four plus**) to the Rs. 29.50 crore bank facilities of LAMINA FOUNDRIES LIMITED (LFL). The outlook is '**Stable**'.

Incorporated in 1981, Lamina Foundries Limited (LFL) is engaged in manufacturing of iron castings such as motor bodies, flywheels and valve bodies, among others to cater to the needs of domestic customers. The company has entered into the export market since 1990 by exporting machined Brake Drums to Germany. The day to day operations are managed by its Directors, Mr. Nitte Vinaya Hegde, Mr. Guruprasad Adyanthaya and Mr. Tonse Ramesh Shenoy. The company has secured business with TATA Motors Limited, Addison & Co. Limited and Automotive Axles Limited to name a few.

Analytical Approach

Acuité has considered consolidated business and financial risk profiles of Lamina Foundries Limited (LFL), Lamina Suspension Products Limited (LSPL) and Lamina International (LI) together referred as 'Lamina Group'. The consolidation is mainly on account of the business synergies, strong operational synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

Lamina Group commenced operations from 1976. The group is promoted by its Directors Mr. Nitte Vinaya Hegde Mr. Guruprasad Adyanthaya and Mr. Tonse Ramesh Shenoy who possess experience of more than four decades in casting industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. Acuité believes that group will continue to benefit from its experienced management and established relationships with customers.

- **Increase in scale of operations and profitability**

The Lamina group has reported moderate revenue growth with compounded annual growth rate (CAGR) of around ~11.00 percent through the last three years ended 31 March, 2018. The company reported revenue growth of ~24.00 percent with operating income of Rs.169.21 crore in FY2018 as against operating income of Rs.136.70 crore in FY2017. The operating margins of the group stood at 10.05 percent in FY2018 as against 11.41 percent in FY2017.

Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by moderate net worth and weak debt protection measures and high gearing. The net worth of the company is moderate at Rs.33.50 crore as on 31 March, 2018 as against Rs.28.91 crore as on 31 March, 2017. The gearing of the company has stood high at 1.90 times as on March 31, 2018 as against 2.24 times as on March 31, 2017. Total debt of Rs.63.58 crore consists of term loan of Rs.12.33 crore, unsecured loan from associate companies Rs.26.15 crore and working capital facility of Rs.25.10 crore as on 31 March, 2018. Total outside

Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 3.04 times as on 31 March, 2018 as against 3.17 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.71 times in FY2018 as against 1.60 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2018 as against 0.07 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.09 times for FY2018 as against 1.16 times in FY2017.

• **Intensive working capital operations**

Group has intensive working capital operations marked by high Gross Current Assets (GCA) of 182 days in FY2018 as against 199 days in FY2017. The inventory and debtors levels stood at 98 and 87 days in FY2018 as against 114 and 81 days in FY2017 respectively. As a result the average utilization of bank limits stood at ~90 per cent in the last six months ending 31st January 2019. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of inventory required to be maintained to cater to the spot orders.

Liquidity Position

Lamina group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.3.23 to 5.73 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.46 to 5.23 crore over the same period. The group's operations are working capital intensive as marked by gross current asset (GCA) days of 186 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains utilized at ~90 percent during the last 6 months period ended January, 2019. The group maintains unencumbered cash and bank balances of Rs.2.79 crore as on March 31, 2018. The current ratio of the group stands at 1.30 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that group will continue to benefit over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in group's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Group

Lamina Group comprises of Lamina Suspension Products Limited, Lamina Engineering Company Private Limited, Lamina Investments Private Limited, Lamina Leasing and Finance Limited, Lamina Foundries Limited and Lamina International established in 1976 by Mr. Nitte Vinaya Hegde, Mr. Guruprasad Adyanthaya and Mr. Tonse Ramesh Shenoy. At present, it has presence in casting industry, automobile springs and brake drums and separate export arm for marketing automobiles accessories. The group has total employees of around 1500.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	169.21	136.70	138.05
EBITDA	Rs. Cr.	17.01	15.59	12.21
PAT	Rs. Cr.	2.47	1.47	1.09
EBITDA Margin	(%)	10.05	11.41	8.85
PAT Margin	(%)	1.46	1.07	0.79
ROCE	(%)	15.96	14.55	25.13
Total Debt/Tangible Net Worth	Times	1.90	2.24	2.12
PBDIT/Interest	Times	1.71	1.60	1.46
Total Debt/PBDIT	Times	3.41	4.06	4.48
Gross Current Assets (Days)	Days	186	199	178

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/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	3.90*	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.10**	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.70#	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.29	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.60##	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE BB+ / Stable

*sublimit of Rs.3.90 crore for DBD/DATBD/DLSB/CDD/FDBP/FUBP/EBR/AABC.

**sublimit of Rs. 1.20 crore for BD/CBP/FDBP/FUDBP.

#BE under LC of prime banks/FDBN: Rs.1.70 crore and interchangibility between cash credit limit and bills discounting limit including existing export bills discounting facility in foreign currency (PSCFC) within overall limit of Rs.2.70 crore.

##sublimit of Rs.1.60 crore for BG.

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About Acuité Ratings & Research:

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