

Press Release

Lamina Foundries Limited

D-U-N-S® Number: 86-220-0313

July 22, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 29.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Negative (Rating Reaffirmed; Outlook Revised)
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed 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**) on the Rs. 29.50 crore bank facilities of LAMINA FOUNDRIES LIMITED (LFL). The outlook is revised from '**Stable**' to '**Negative**'.

Incorporated in 1981, Lamina Foundries Limited (LFL) is engaged in manufacturing of iron castings such as motor bodies, flywheels, 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

Acuite 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. Acuite believes that the group will continue to benefit from its experienced management and established relationships with customers.

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

Lamina group has reported moderate revenue growth with compounded annual growth rate (CAGR) of around ~12.00 percent through the last four years ended 31 March, 2019 (Provisional). The company reported revenue growth of ~16.00 percent with operating income of Rs.205.32 crore in FY2019 (Provisional) as against operating income of Rs.177.17 crore in FY2018. The operating margins of the group stood at 9.44 percent in FY2019 (Provisional) as against 9.60 percent in FY2018.

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.37.64 crore as on 31 March, 2019 (Provisional) as against Rs.33.50 crore as on 31 March, 2018. The gearing of the company has stood high at 2.01 times as on March 31, 2019 (Provisional) as against 1.96 times as on 31 March, 2018. Total debt of Rs.72.29 crore consists of term loans of Rs.7.97 crore, unsecured loans from associate companies of Rs.28.49 crore and working capital facility of Rs.35.84 crore as on 31 March, 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 3.20 times as on 31 March, 2019 (Provisional) as against 3.11 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.69 times in FY2019 (Provisional) as against 1.68 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2019 (Provisional) and as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.08 times in FY2019 (Provisional) as against 1.09 times in FY2018.

• Intensive working capital operations

The group has intensive working capital operations marked by high Gross Current Assets (GCA) of 189 days in FY2019 (Provisional) as against 183 days in FY2018. The inventory and debtor levels stood at 94 and 87 days in FY2019 (Provisional) as against 93 and 85 days in FY2018, respectively. As a result, the bank limits have been utilised fully in the last six months ending June, 2019. Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of inventory required 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.3.23-6.58 crore during the last four years through 2016-18, while its maturing debt obligations were in the range of Rs.2.46-5.23 crore over the same period. The group's operations are working capital intensive as marked by gross current asset (GCA) days of 189 in FY2019 (Provisional). This has led to higher reliance on working capital borrowings, the cash credit limit of the group remained utilised at ~90 percent during the last 6 months' period ended June, 2019. The group maintains unencumbered cash and bank balances of Rs.2.72 crore as on March 31, 2019 (Provisional). The current ratio of the group stood at 1.29 times as on March 31, 2019 (Provisional). 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: Negative

Acuite believes that the group's outlook will remain negative over the medium term as the credit profile is expected to be impacted by high offtake risk of its customers and deterioration in liquidity position. The rating may be downgraded in case of further deterioration in liquidity position and debt protection metrics. Conversely, the outlook may be revised to 'Stable' if the company manages to improve its liquidity position and sustain the operating growth.

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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	205.32	169.21	136.70
EBITDA	Rs. Cr.	19.39	17.01	15.59
PAT	Rs. Cr.	3.32	2.47	1.47
EBITDA Margin	(%)	9.44	10.05	11.41
PAT Margin	(%)	1.62	1.46	1.07
ROCE	(%)	16.27	15.96	14.55
Total Debt/Tangible Net Worth	Times	1.77	1.65	1.92
PBDIT/Interest	Times	1.69	1.71	1.60
Total Debt/PBDIT	Times	3.51	3.24	3.87
Gross Current Assets (Days)	Days	189	186	199

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Feb-2019	Cash Credit	Long Term	3.90*	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	4.10**	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	2.70#	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	0.60	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	2.80	ACUITE BB+ / Stable (Assigned)
	Letter of Credit	Short Term	4.80	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	4.80	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	3.29	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	1.60##	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.91	ACUITE BB+ / Stable (Assigned)

*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 interchangeability 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.

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

*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.

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#sublimit of Rs.1.60 crore for BG.

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About Acuite Ratings & Research:

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