

Press Release

Lamina Foundries Limited

September 12, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 29.50 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to '**ACUITE D**' (read as **ACUITE D**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to '**ACUITE D**' (read as **ACUITE D**) on the Rs. 29.50 crore bank facilities of LAMINA FOUNDRIES LIMITED (LFL).

The rating downgrade reflects the irregularities in debt servicing. There has been devolvement of letter of credit and delays in repayment of interest and principal of term loan.

Incorporated in 1981, Lamina Foundries Limited (LFL) is engaged in manufacturing of iron castings such as motor bodies, flywheels and valve bodies 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 the casting industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that the 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 ~12.00 per cent through the last four years ended 31 March, 2019 (Provisional). The company reported revenue growth of ~16.00 per cent with operating income of Rs.205.32 crore in FY2019 (Provisional) as against operating income of Rs.169.21 crore in FY2018. The operating margins of the group stood at 9.44 per cent in FY2019 (Provisional) as against 10.05 per cent in FY2018.

Weaknesses

- Delays in debt servicing**

There has been devolvement in letter of credit and delays in repayment of interest and principal of term loans.

• 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.40.84 crore as on 31 March, 2019 (Provisional) as against Rs.36.70 crore as on 31 March, 2018. The gearing of the company stood high at 1.77 times as on March 31, 2019 (Provisional) as against 1.65 times as on March 31, 2018. Total debt of Rs.72.29 crore consists of term loans of Rs.7.97 crore, unsecured loans from associate companies 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 2.87 times as on 31 March, 2019 (Provisional) as against 2.69 times as on 31 March, 2018. The Interest Coverage Ratio (ICR) stood at 1.69 times in FY2019 (Provisional) as against 1.71 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, 2018. Debt Service Coverage Ratio (DSCR) stood at 1.08 times for 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 186 days in FY2018. The inventory and debtor levels stood at 94 and 87 days in FY2019 (Provisional) as against 98 and 87 days in FY2018, respectively. As a result, the bank limits have been utilised fully in the last six months ending June 2019.

Liquidity Position

Lamina group has stretched liquidity. 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 in the group remains utilized at ~90 per cent 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 stretched over the medium term on account of delays made by the group company.

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 the 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 (Prov.)	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/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>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.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
22-Jul-2019	Cash Credit	Long Term	3.90*	ACUITE BB+ / Negative (Reaffirmed)
	Cash Credit	Long Term	4.10**	ACUITE BB+ / Negative (Reaffirmed)
	Cash Credit	Long Term	2.70#	ACUITE BB+ / Negative (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BB+ / Negative (Reaffirmed)
	Term Loan	Long Term	2.80	ACUITE BB+ / Negative (Reaffirmed)
	Letter of Credit	Short Term	4.80	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	4.80	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.29	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.60##	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.91	ACUITE BB+ / Negative (Reaffirmed)
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 D (Downgraded from ACUITE BB+/Negative)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.10**	ACUITE D (Downgraded from ACUITE BB+/Negative)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.70#	ACUITE D (Downgraded from ACUITE BB+/Negative)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE D (Downgraded from ACUITE BB+/Negative)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE D (Downgraded from ACUITE BB+/Negative)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE D (Downgraded from ACUITE A4+)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE D (Downgraded from ACUITE A4+)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.29	ACUITE D (Downgraded from ACUITE A4+)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.60##	ACUITE D (Downgraded from ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE D (Downgraded from ACUITE BB+/Negative)

*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.

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About Acuité Ratings & Research:

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