

Press Release

Lamina Foundries Limited

March 03, 2022



Rating Upgraded and Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.55	ACUITE BB- Upgraded & Withdrawn	-
Bank Loan Ratings	14.49	-	ACUITE A4+ Upgraded
Bank Loan Ratings	15.01	ACUITE BB- Stable Upgraded Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	29.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.55	-	-

Rating Rationale

Acuite has upgraded its long term rating to 'ACUITE BB-' (read as ACUITE double B minus) from ACUITE B+ (read as ACUITE B plus) and the short term rating to 'ACUITE A4+' (read as ACUITE A four plus) from ACUITE A4 (read as ACUITE A four) on the Rs.29.50 crore bank facilities of Lamina Foundries Limited (LFL). The Outlook has been revised from 'Negative' to 'Stable'

Further, Acuite has upgraded and withdrawn the long term rating of 'ACUITE BB-' (read as ACUITE double B minus) from ACUITE B+ (read as ACUITE B plus) on the Rs. 0.55 Cr. long term bank facilities of LFL. The rating is being withdrawn on account of request received from the company and NOC received from the banker as per Acuite's withdrawal policy.

Rationale for Rating Upgrade

The rating upgrade takes into account the improvement in operating profitability. The group witnessed improvement in its operating margins which stood at 10.47 percent in FY2021 against 6.74% percent in FY2020. The rating also derives comfort from the vast experience of the management and established relationship with its customers. The rating is constrained on account of working capital intensive nature of operations and presence in the highly competitive and cyclical nature of the industry. Any further elongation in working capital cycle will impart a negative bias to the rating

About Company

Incorporated in 1981, Lamina Foundries Limited (LFL) is engaged in manufacturing of iron castings such as auto brake drums, motor bodies, flywheels, valve bodies etc. and catered to the needs of domestic customers until 1990. The company 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, Ashok leyland, Automotive Axles Limited to name a few. The company has an installed manufacturing capacity of 17200 Tn and the unit is set up in Karnataka

About the Group

Lamina Group (LG) 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. Group has total employees of around 1500.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profile of Lamina Foundries Limited (LFL), Lamina Suspension Products Limited (LSPL) and Lamina International (LI) together referred as 'Lamina Group' (LG). The consolidation is mainly on account of operational linkages and common management.

Key Rating Drivers

Strengths

Extensive experience of management and established track record of operations

LG 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 forge healthy relationships with customers and suppliers and has helped in getting recurring orders from its customers. The same can be reflected in its customer profile which includes names like Tata Motors, Ashok Leyland, Mahindra & Mahindra etc. which has helped them in developing the presence in domestic as well as international markets.

Acuite believes that the extensive experience and association with reputed clientele will benefit the group to establish a strong market position.

Improved profitability leading to improvement in coverage indicators

The LG reported revenues of Rs. 132.64 Cr. during FY2021 against Rs. 137.60 Cr. during FY2020. The marginal decline in the revenues can be linked to the Covid induced lockdowns and trade restrictions. However, the operating margins improved to 10.47 percent in FY2021 against 6.74 percent in FY2020. The group also managed to report net profits of Rs. 0.97 Cr. in FY2021 against losses of Rs. (3.22) Cr. in FY2020. For the 9M FY2022 Lamina Foundries Limited (LFL) on a standalone level reported revenues of Rs.66 Cr maintaining its operating margin at 10.37 percent and its net profit during the same period stood at Rs. 0.83 Cr. on the standalone level. Further, the financial risk profile of the LG witnessed revival marked by improved debt coverage indicators. The improved profitability has resulted in improved debt coverage indicators marked by ICR of 1.68 times in FY2021 against 1.09 times and DSCR of 1.20 times in FY2021 against 0.75 times in FY2020. The group's gearing remained stable at 1.39 times in FY2021 against 1.36 times during FY2020.

Acuite believes the group's ability to maintain its profitability and financial risk profile will remain a key sensitivity factor.

Weaknesses

Intensive nature of working capital operations

The working capital operation is intensive in nature marked by GCA days of 300 in FY2021 as against 238 days in FY2020. This is due to increase in the inventory. The inventory days stood at 177 in FY2021 against 146 days in FY2020. The group has to maintain higher inventory due to material availability, spot orders, and logistical time. Further also due to pandemic and lockdowns in the current year, some inventory was left unsold. The debtor collection period increased to around 106 days (PY: 85 days) during FY2021 due to slower realisations. The six

months ended December 21, working capital limits of the group remained utilised at around 80.30% which indicates lesser reliance on the outside limits. However, the payable days were elongated to 150 days in FY2021 against 78 days in FY2020.

Acuité expects any further elongation in the group's working capital cycle will be a key rating sensitivity factor.

Cyclical nature of the industry

The group performance remains vulnerable to cyclical nature in the steel sector as steel being a key raw material in the manufacturing of auto brake drum. Also, demand for steel & other non ferrous metals depends on the performance of the end user segments like automobile, construction and real estate. Indian steel sector is highly competitive due to the presence of a large number of players. The operating margin of the group is exposed to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods.

Rating Sensitivities

- Any deterioration in the group's overall operating performance and financial risk profile
- Further elongation in the working capital cycle

Material Covenants

None

Liquidity Position: Stretched

The LG has a stretched liquidity during FY2021 marked by its moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.4.41 crores in FY2021 against negative cash accruals of Rs.(0.02) Cr. during FY2020, while the maturing debt obligations were in the range of Rs.3.46 crore during FY2021. The cash accruals are estimated to be in the range of Rs.4.67 crores – Rs.5.20 crores during 2022-23, while the repayment obligations at Rs.3.5 crores- Rs.4 crores over the same period due to addition of debt to the tune Rs. 4-5 Cr. during FY2022. The working capital cycle is intensive in nature marked by an increase in GCA to 300 days in FY2021 against 238 days in FY2020. The group has an average bank limit utilisation of around 80.30 percent during the last six months ended December 21. The company maintained cash and bank balances of Rs.2.62 crores as on March 31, 2021. The current ratio stood at 1.44 times as on March 31, 2021.

Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of additional debt obligations over the medium term.

Outlook : Stable

Acuite has revised the Outlook from 'Negative' to 'Stable' taking into account gradual improvement in the overall operating performance and moderate financial risk profile of the LG. It also takes into account infusion of funds by promoters in the form of USL which has mitigated any adverse effect on the company's financial risk profile. Further, the Outlook may be revised to positive in case of faster than expected growth in the revenues while maintaining overall operating & profitability margins. Conversely, the outlook may be revised to Negative in case of further deterioration in the profitability or further elongation in the working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	132.64	137.60
PAT	Rs. Cr.	0.97	(3.22)
PAT Margin	(%)	0.73	(2.34)
Total Debt/Tangible Net Worth	Times	1.39	1.36
PBDIT/Interest	Times	1.68	1.09

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Dec 2020	Letter of Credit	Short Term	4.80	ACUITE A4 (Upgraded from ACUITE D)
	Letter of Credit	Short Term	4.80	ACUITE A4 (Upgraded from ACUITE D)
	Cash Credit	Long Term	2.70	ACUITE B+ Negative (Upgraded from ACUITE D)
	Cash Credit	Long Term	3.90	ACUITE B+ Negative (Upgraded from ACUITE D)
	Letter of Credit	Short Term	3.29	ACUITE A4 (Upgraded from ACUITE D)
	Letter of Credit	Short Term	1.60	ACUITE A4 (Upgraded from ACUITE D)
	Cash Credit	Long Term	4.10	ACUITE B+ Negative (Upgraded from ACUITE D)
	Cash Credit	Long Term	0.60	ACUITE B+ Negative (Upgraded from ACUITE D)
	Proposed Bank Facility	Long Term	3.16	ACUITE B+ Negative (Upgraded from ACUITE D)
	Term Loan	Long Term	0.55	ACUITE B+ Negative (Upgraded from ACUITE D)
12 Sep 2019	Term Loan	Long Term	2.80	ACUITE D (Downgraded from ACUITE BB+ Negative)
	Letter of Credit	Short Term	4.80	ACUITE D (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	1.60	ACUITE D (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	3.90	ACUITE D (Downgraded from ACUITE BB+ Negative)
	Cash Credit	Long Term	2.70	ACUITE D (Downgraded from ACUITE BB+ Negative)
	Letter of Credit	Short Term	3.29	ACUITE D (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	4.80	ACUITE D (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	4.10	ACUITE D (Downgraded from ACUITE BB+ Negative)
	Cash Credit	Long Term	0.60	ACUITE D (Downgraded from ACUITE BB+ Negative)
	Proposed Bank Facility	Long Term	0.91	ACUITE D (Downgraded from ACUITE BB+ Negative)
22 Jul 2019	Term Loan	Long Term	2.80	ACUITE BB+ Negative (Reaffirmed)
	Cash Credit	Long Term	3.90	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	1.60	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.29	ACUITE A4+ (Reaffirmed)
		Long		

	Cash Credit	Term	2.70	ACUITE BB+ Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	0.91	ACUITE BB+ Negative (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BB+ Negative (Reaffirmed)
	Cash Credit	Long Term	4.10	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.10	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.70	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+ Upgraded (from ACUITE A4)
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+ Upgraded (from ACUITE A4)
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.29	ACUITE A4+ Upgraded (from ACUITE A4)
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE A4+ Upgraded (from ACUITE A4)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
							ACUITE BB- Stable

Canara Bank	Not Applicable	Term Loan	Not available	Not available	31-07-2024	0.95	Upgraded Negative to Stable (from ACUITE B+)
Canara Bank	Not Applicable	Term Loan	Not available	Not available	31-07-2022	0.39	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Canara Bank	Not Applicable	Term Loan	Not available	Not available	31-01-2026	0.47	ACUITE BB- Stable Upgraded Negative to Stable (from ACUITE B+)
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.55	ACUITE BB- Upgraded & Withdrawn (from ACUITE B+)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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