



Press Release
LAMINA FOUNDRIES LIMITED
June 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.62	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	14.88	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	29.50	-	-

Rating Rationale

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

Reason for rating reaffirmation

The rating reaffirmation factors in the improvement in revenues albeit decline in the profitability margins, moderate financial risk profile and adequate liquidity position of the Group. The Group revenue improved and stood at Rs.185.42 crore in FY22, registering a growth of 40 percent as against revenue of Rs. 132.80 crore in FY21. Further The group's revenue stood at ~Rs.210 Crore in FY23(Est). The improvement in the revenues is driven by the healthy demand in the automobile sector in turn leading to the increase in the demand for the leaf springs and other parts as well as addition of new customers to the portfolio. However, the operating margins deteriorated and stood at 8.29 percent in FY2022 as against 10.46 percent in FY2021. The ratings are constrained by the working capital-intensive operations and the cyclical nature of the industry.

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.

Moderate financial risk profile

Lamina Group has a moderate financial risk profile marked by the tangible net worth of the group stood at Rs. 47.57 crores as on March 31, 2022 (incl quasi equity of Rs.35.91 crore), as against Rs. 46.10 crore as on March 31, 2021 (incl quasi equity of Rs. 36.98 crore). The group's gearing stood at 1.26 times as on March 31, 2022, as against 1.28 times in the March 31, 2021. The total debt of Rs.59.91 crore as on March 31, 2022, consists of long-term borrowings of Rs.6.49 crore and short-term debt obligations of Rs.28.18 crore. The Group has undertaken a capital expenditure of Rs.14.50 crore in FY23 in Lamina Foundries Limited, for which a term loan of Rs.9 crore is availed, and the rest will be funded through internal accruals. The capex is expected to be completed by June 2023. The interest coverage ratio stood at 1.63 times in FY2022 as against 1.68 times in the previous year 2021. The DSCR stood at 1.16 times in FY2022 as against 1.20 times in FY2021. Acuite believes that the financial risk profile of the Group is likely to remain moderate in the medium term.

Weaknesses

Intensive nature of working capital operations

The operations of Lamina Group are working capital intensive reflected by Gross Current Assets (GCA) of 219 days as on March 31, 2022, as against 300 days as on March 31, 2021. The inventory holding days stood at 134 days as on March 31, 2022, as against 176 days as on March 31, 2021. The average inventory holding period of the group is around 120-140 days. The inventory majorly consists of raw materials and work in progress. The debtor days stood at 80 days as on March 31, 2022, as against 104 days as on March 31, 2021. Average credit period allowed to the customers are around 90 days. The creditors days stood at 102 days as on March 31, 2022, as against 149 days as on March 31, 2021. Average creditor period received from the suppliers is around 90 days. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is 68.95 percent for last 6 months ended as on March 2023. Acuite 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 cyclicalities in the steel sector as steel being a key raw material in the manufacturing of auto brake drum. Also, demand for steel & other nonferrous 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

Improvement in the group's overall operating performance
Deterioration in the financial risk profile
Further elongation in the working capital cycle

Material Covenants

None

Liquidity position: Adequate

The Group's liquidity profile is adequate marked by moderate net cash accruals against maturing debt obligations. The Group generated cash accruals of Rs.5.60 crore in FY22 as against debt obligations of Rs.3.46 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.7.55-9.17 crore during FY2023-25 against repayment obligations ranging from Rs.1.43 crore to Rs.3.23 crore for the same period. The average utilisation of bank facilities is 68.95 percent for last 6 months ended as on March 2023. The company maintains unencumbered cash and bank balances of Rs.1.52 crore as on March 31, 2022. The current ratio stood at 1.45 times as on March 31, 2022.

Outlook:

Acuité believes that LFL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the firm sustains the growth in its revenues while maintaining its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	185.42	132.80
PAT	Rs. Cr.	2.21	0.96
PAT Margin	(%)	1.19	0.72
Total Debt/Tangible Net Worth	Times	1.26	1.28
PBDIT/Interest	Times	1.63	1.68

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

None

Any Other Information

None

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2022	Letter of Credit	Short Term	4.80	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	2.70	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Term Loan	Long Term	0.55	ACUITE BB- (Withdrawn)
	Proposed Bank Facility	Long Term	1.90	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Cash Credit	Long Term	3.90	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Term Loan	Long Term	0.39	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Term Loan	Long Term	0.47	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	0.95	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Cash Credit	Long Term	4.10	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Letter of Credit	Short Term	4.80	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	0.60	ACUITE BB- Stable (Upgraded from ACUITE B+ Negative)
	Letter of Credit	Short Term	3.29	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	4.80	ACUITE A4 (Upgraded from ACUITE D)
04 Dec 2020	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)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.90	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.40	ACUITE BB- Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.19	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.69	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.90	ACUITE BB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.95	ACUITE BB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.47	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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