



**Press Release**  
**Lamina Foundries Limited**  
**May 08, 2024**

**Rating Assigned, Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.90	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	20.30	ACUITE BB   Stable   Upgraded	-
Bank Loan Ratings	11.61	-	ACUITE A4+   Assigned
Bank Loan Ratings	31.49	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	69.30	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to **'ACUITE BB' (read as ACUITE Double B)** from **'ACUITE BB-' (Read as ACUITE Double B Minus)** and reaffirmed its short-term rating to **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.51.79 crore bank facilities of Lamina Foundries Limited (LFL). The Outlook is **'Stable'**.

Further Acuite has assigned its long-term rating of **'ACUITE BB' (read as ACUITE Double B)** and its short-term rating to **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.17.51 crore bank facilities of Lamina Foundries Limited (LFL). The Outlook is **'Stable'**.

**Rationale for rating**

The upgrade in the rating factors in the overall improvement in the operating performance marked by increase in the operating income albeit decline in the profitability margins. The operating income stood at Rs.226.59 Cr. in FY2023 as against Rs.185.44 Cr. in FY2022. Further, the group's revenue for FY2024 (Est) stood at ~Rs.241 Cr. 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 7.98 percent in FY2023 as against 8.30 percent in FY2022. Further, the rating also factors experienced management, established track record, moderate financial risk profile and adequate liquidity position of the Group. 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.



Incorporated in the year 1975, Lamina Suspension Products Limited (LSPL) located at Karnataka is engaged in manufacturing and sales of automobile leaf springs. Promoted by Mr. Vishal Hegde the company exports its springs to U.S.A., U.K., Italy, Taiwan, North Korea, France, Saudi Arabian countries, Singapore, Belgium, Germany, Australia and Finland.

### **Lamina International**

Established in 1992, Mangalore based Lamina International (LI) is a partnership firm engaged in the exporting of leaf springs and iron castings. It exports products manufactured by Lamina Foundries Limited (LFL) and Lamina Suspension Products Limited (LSPL). Around 90 percent of the products are from LSPL, and the rest are from LFL. The day-to-day operations are managed by its partners, Mr. Nitte Vinaya Hegde, Mr. Guruprasad Adyanthaya, Ms. Poornima Shenoy, Mr. Gopalkrishna Shenoy and Mr. Avinash Shenoy, who have extensive experience spanning more than four decades in the casting industry. It mainly exports to the USA, the UAE, and Germany.

### **Unsupported Rating**

Not Applicable

### **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. along with some new one's such as Navistar (USA), Simpsons, which has helped them in developing the presence in domestic as well as international markets.

Further, the group has recorded an improvement in the operating performance supported by increase in the operating income albeit decline in profitability margins. The operating income of the group stood at Rs.226.59 Cr. in FY2023 as against Rs.185.44 Cr. in FY2022. The increase in revenue is due to healthy demand for the automobile sector in turn increasing the demand for its parts. Going ahead, the group's revenue stood at Rs.241 Cr. for FY2024 (Est). The operating margins declined and stood at 7.98 percent in FY2023 as against 8.30 percent in FY2022. The PAT margins show an improvement of 1.89 percent in FY2023 as against 1.19 percent in FY2022.

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**

The group has moderate financial risk profile marked by moderate networth, moderate gearing and moderate debt protection metrics. The tangible net worth of the group stood at Rs. 47.40 crore as on March 31, 2023 (incl quasi equity of Rs.35.85 crore), as against Rs. 43.88 crore as on March 31, 2022 (incl quasi equity of Rs. 35.91 crore). The group's gearing stood at 1.29 times as on March 31, 2023, as against 1.37 times in the March 31, 2022. The total debt of

Rs.61.04 crore as on March 31, 2023, consists of long-term borrowings of Rs.10.09 crore, short-term debt of Rs.26.01 crore, unsecured loan of Rs.23.34 Cr. and CPLTD of Rs.1.60 Cr. The gearing (debt-equity) of the group stood at 1.29 times as on 31 March 2023 as compared to 1.37 times as on 31 March 2022. The Group had done a capital expenditure in FY23 in Lamina Foundries Limited which includes installation of a furnace machinery and a moulding machinery. As on date the the capex is completed with commercial production expected to begin by May-June 2024. Post this commencement, the production capacity will increase by ~35%.

Further, the interest coverage ratio stood at 1.75 times in FY2023 as against 1.63 times in the previous year 2022. The DSCR stood at 1.43 times in FY2023 as against 1.16 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) of the group stood at 2.40 times as on 31 March, 2023 as against 2.28 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) of the group stood at 0.13 times for FY2023 as against 0.09 times for FY2022. Acuité 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 even though the Gross Current Assets (GCA) is improved and stood at 181 days as on March 31, 2023, as against 194 days as on March 31, 2022. The inventory holding days stood at 110 days as on March 31, 2023, as against 119 days as on March 31, 2022. 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 52 days as on March 31, 2023, as against 56 days as on March 31, 2022. Average credit period allowed to the customers are around 90 days. The creditors days stood at 74 days as on March 31, 2023, as against 57 days as on March 31, 2022. 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 60-70 percent for last 6 months ended as of March 2024.

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 cyclicity 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.  
Further elongation in the working capital cycle

### **Liquidity Position**

#### **Adequate**

The group's liquidity position is adequate, marked by sufficient net cash accruals against its maturity debt obligations. The group generated net cash accruals in the range of Rs.4.41-7.70 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.1.89-3.46 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.8.53-11.74 crore against the maturing repayment obligations of Rs.1.60-1.80 crore over the medium term. The working capital management of the group is intensive marked by GCA days of 181 days in FY2023 as against 194 days in FY2022. The average utilization of the working capital facilities stood at ~60-70 percent for last 6 months ended as of March 2024. The group maintains unencumbered cash and bank balances of Rs.3.35 crore as on March 31, 2023. The current ratio of the group stands at 1.48 times as on March 31, 2023 as against 1.50 times as on 31 March, 2022.

### **Outlook: Stable**

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	226.59	185.44
PAT	Rs. Cr.	4.28	2.21
PAT Margin	(%)	1.89	1.19
Total Debt/Tangible Net Worth	Times	1.29	1.37
PBDIT/Interest	Times	1.75	1.63

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

Not Applicable

### 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, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2023	Bills Discounting	Short Term	7.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	9.69	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	7.11	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	5.19	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	5.68	ACUITE BB-   Stable (Assigned)
	Term Loan	Long Term	3.32	ACUITE BB-   Stable (Reaffirmed)
	Cash Credit	Long Term	7.40	ACUITE BB-   Stable (Reaffirmed)
	Cash Credit	Long Term	3.90	ACUITE BB-   Stable (Reaffirmed)
01 Jun 2023	Cash Credit	Long Term	3.90	ACUITE BB-   Stable (Reaffirmed)
	Cash Credit	Long Term	7.40	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.90	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.95	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.47	ACUITE BB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.19	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	9.69	ACUITE A4+ (Reaffirmed)
03 Mar 2022	Term Loan	Long Term	0.55	ACUITE BB- (Upgraded & Withdrawn)
	Cash Credit	Long Term	3.90	ACUITE BB-   Stable (Upgraded from ACUITE B+   Negative)
	Cash Credit	Long Term	4.10	ACUITE BB-   Stable (Upgraded from ACUITE B+   Negative)
	Cash Credit	Long Term	2.70	ACUITE BB-   Stable (Upgraded from ACUITE B+   Negative)
	Cash Credit	Long Term	0.60	ACUITE BB-   Stable (Upgraded from ACUITE B+   Negative)
	Proposed Long Term Bank Facility	Long Term	1.90	ACUITE BB-   Stable (Upgraded from ACUITE B+   Negative)
	Term Loan	Long Term	0.95	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	4.80	ACUITE A4+ (Upgraded from ACUITE A4)
		Short		

	Letter of Credit	Term	4.80	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	3.29	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	1.60	ACUITE A4+ (Upgraded from ACUITE A4)



## 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 avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A4+   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+   Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.90	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.40	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.90	ACUITE BB   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.30	ACUITE A4+   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.19	ACUITE A4+   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.61	ACUITE A4+   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	Simple	9.00	ACUITE BB   Stable   Upgraded ( from ACUITE BB- )

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Lamina Suspension Products Limited
2	Lamina International
3	Lamina Foundries Limited

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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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