

Press Release

Layon International Private Limited

March 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 6.00 crore bank facilities of Layon International Private Limited (LIPL). The outlook is '**Stable**'.

Incorporated in 2006, LIPL is engaged in trading of aluminum scarp 6030. The day to day operations are managed by its Managing Director, Mr. Dilip Kumar Sultania along with other Directors, Mrs. Madhu Sultania and Mr. Harsh Sultania. The company imports around 98 per cent of aluminum from various countries, however, around 90 per cent is from UAE and Saudi Arabia. The company sales these goods in domestic market in states of Maharashtra, Chhattisgarh and Madhya Pradesh.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of LIPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The Directors collectively possess experience of more than three decades in metal industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.

• Steady increase in scale of operations and profitability

The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around 41.00 percent through the last three years ended 31 March, 2018. The company reported healthy revenue growth of 46 percent with operating income of Rs.63.79 crore in FY2018 as against operating income of Rs.43.75 crore in FY2017. The operating margins of the company increased to 1.45 percent in FY2018 from 1.35 percent in FY2017.

• Comfortable working capital operations

LIPL has comfortable working capital operations marked by low Gross Current Assets (GCA) of 55 days in FY2018 as against 53 days in FY2017. The company maintains inventory of around 15 days on an average and extends clean credit of around 35 to 45 days to its customers resulting in low GCA days. The inventory and debtor levels stood at 19 and 36 days in FY2018 as against 6 and 47 days in FY2017, respectively. However, the bank limits are fully utilised in the last six months ending February 2019.

• Moderate financial risk profile

The financial risk profile is moderate marked by low net worth, comfortable debt protection measures and moderate gearing. The net worth of the company is low at Rs.3.45 crore as on 31 March, 2018 as against Rs.3.17 crore as on 31 March, 2017. The gearing of the company has stood moderate at 1.09 times as on March 31, 2018 as against 1.00 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.28 times as on 31 March, 2018 as against 1.47 times as on 31 March, 2017. The steady growth in revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) improved to 2.27 times in FY2018 from 1.73 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.12 times as on 31 March, 2018 as against 0.06 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 2.03 times for FY2018 as against 1.53 times in FY2017.

Weaknesses

• High competitive intensity and foreign exchange fluctuation risk

LIPL operates in highly competitive and fragmented metal industry with presence of several organised and unorganised players in the market which limit the bargaining power of the company. It is also exposed to foreign exchange fluctuation risk as it imports around 98 per cent of goods from countries such as UAE, Saudi Arabia, UK, Singapore and Israel.

Liquidity Position

LIPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.11 to 0.43 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs.0.06 crore over the same period. The cash accruals of the company are estimated to remain around Rs.0.77 to 1.05 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 0.06 Crore. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 55 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains fully utilized during the last 6 months period ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2018. The current ratio of the group stands healthy at 1.51 times as on March 31, 2018.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that LIPL will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in LIPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	63.79	43.75	32.16
EBITDA	Rs. Cr.	0.93	0.59	0.38
PAT	Rs. Cr.	0.29	0.16	0.07
EBITDA Margin	(%)	1.45	1.35	1.18
PAT Margin	(%)	0.45	0.37	0.23
ROCE	(%)	11.94	9.32	14.83
Total Debt/Tangible Net Worth	Times	1.08	1.00	1.17
PBDIT/Interest	Times	2.27	1.73	1.38
Total Debt/PBDIT	Times	3.94	5.04	6.74
Gross Current Assets (Days)	Days	55	53	78

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Not Applicable

*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	4.00	ACUITE BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable

Contacts

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About Acuité Ratings & Research:

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