

Press Release

Lamina International

December 04, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.7.85 Cr.
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.7.85 Crore bank facilities of Lamina International (LI).

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

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. Lamina group was established in the year 1976 by Mr. Nitte Vinaya Hegde, Mr. Guruprasad Adyanthaya and Mr. Tonse Ramesh Shenoy. At present, it has a presence in the casting industry, automobile springs and brake drums and separate export arm for marketing automobile components.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Lamina Foundries Limited (LFL), Lamina Suspension Products Limited (LSPL) and Lamina International (LI) together referred to 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 operation and experienced Management**

Lamina group commenced its operation in the year 1976 with the manufacturing setup for automobile springs under the name of Lamina Suspension Products Limited (LSPL). The group is promoted by Mr. N.V.Hegde, Mr.Guruprasad Adyanthaya and Mr.Tonse Ramesh Shenoy who possess experiences of more than four decades in the casting-forging industry and automobile industry. The promoters are ably assisted by an experienced second line of management. The extensive experience of the promoters has helped the group to maintain healthy relationships with its customer and suppliers. However, due to slow down in the automobile sales, the operating income of the group has declined by around 19.65 percent to Rs.157.31Cr in FY2020 from Rs.195.77Cr in FY2019.

Acuité believes that Lamina group will continue to get benefit from its experienced management, long track record of operation and healthy relationships with its customer and suppliers.

Weaknesses

- **Working capital operation is intensive in nature**

Lamina group's working capital operation is intensive in nature marked by high gross current asset (GCA) days of around 209 days in FY2020 as against 184 days in FY2019. The group had maintained an inventory holding period of around 126 days as on March 31, 2020 as against 99 days as on March 31, 2019. The inventory holding period has stretched in FY2020 due to piling up of finished product that the group was unable to sell due to the outbreak of Covid-19 during the last quarter of the financial year. However, the group maintains high inventory so as to cater the spot orders. The group had extended a credit period of around 74 days as on March 31, 2020 to its customer as against 75 days as on March 31, 2019. On the other hand, the company's credit payment period to its supplier is around 60 days as on March 31, 2020 as against 83 days as on March 31, 2019. The working capital limit is moderate, leading to moderate utilization of its bank line at an average of around 65.75 percent over the last six months through September, 2020, while its peak utilization was high at around 81.93 percent during the same period. Acuité believes that the working capital operations of the company will continue to remain intensive on account of its higher inventory that the group maintains in order to cater to the spot orders.

- **Average Financial Risk Profile**

Lamina group's financial risk profile is average marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the group stood at Rs.44.16Cr as on March 31, 2020 as against Rs.42.70Cr as on March 31, 2019. The group has followed aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.73times and 2.81 times respectively as on March 31, 2018. The gearing stood at 1.36 times as on March 31, 2020. The group incurred capex of Rs.2.20Cr over the last year to expand its scale of operation, while its' incremental working capital requirement over the same period to support the increase in scale of operation has been around Rs.(0.71)Cr. On the other hand, the group generated cash accruals of Rs.(0.02)Cr over the same period. Lamina group's cash accrual over the next three years through FY2023 is estimated to remain in the range of Rs.0.40Cr to Rs.2.00Cr. The gearing, however, is expected to be high at around times 1.30 times to 1.50 times as on March 31, 2021.

The revenue of the group has declined by around 19.65 percent to Rs.157.31Cr in FY2020 as against Rs.195.77Cr in FY2019. Since the group is engaged in manufacturing and trading of automotive components and other casting products, the net sales got impacted due to recessionary condition in the automobile market along with the outbreak of Covid-19. EBITDA in absolute term has significantly declined to Rs.9.28Cr in FY2020 from Rs.16.93Cr in FY2019. This is due to fluctuation in raw material prices. The group registered a loss of Rs.3.21Cr as against a profit of Rs.2.98Cr in FY2019. The operating margins have declined to 5.90 percent in FY2020 as against 8.65 percent in FY2019. The low profitability levels, coupled with moderate debt levels, have led to moderate debt protection metrics. The interest coverage ratio stood at 1.09 times in FY2020 as against 1.71 times respectively in FY2019. The debt service coverage ratio has declined to 0.75 times in FY2020 from 1.07 times in FY2019. The Debt-EBITA ratio stood at 5.40 times in FY2020 as against 3.32 times in FY2019.

Liquidity Position: Stretched

The group has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.(0.02)Cr in FY2020 as against maturing debt obligation of Rs.3.30Cr during the same period. The cash accrual of the group is estimated to remain around Rs.0.40Cr to Rs.2.00Cr during FY2021-2023 against repayment obligation of Rs.2.15Cr to Rs.2.45Cr

during the same period. The group's working capital operation is intensive in nature marked by gross current asset (GCA) days of 209 days for FY2020. The average bank limit utilization stood at 65.75 percent for the last six months ended September, 2020. The group maintains unencumbered cash and bank balances of Rs.0.65Cr as on March 31, 2020 as against Rs.2.75Cr as on March 31, 2019. The current ratio has improved to 1.46 times as on March 31, 2020 as against 1.31 times as on March 31, 2019. Acuité believes that the liquidity of the group to remain stretched over the medium term on account of low net cash accruals to its debt repayments over the medium term.

Rating Sensitivities

- Any deterioration in the working capital cycle and liquidity profile of the group
- Significant improvement in the operating performance of the group while maintaining the profitability

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	157.31	195.77
PAT	Rs. Cr.	(3.21)	2.98
PAT Margin	(%)	(2.04)	1.52
Total Debt/Tangible Net Worth	Times	1.36	1.48
PBDIT/Interest	Times	1.09	1.71

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- 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>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Sep-2019	Packing Credit	Short Term	1.85	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Downgraded from ACUITE A4+)
25-Jul-2019	Packing Credit	Short Term	1.85	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Kumar Abhisek Analyst - Rating Operations Tel: 011-49731308 kumar.abhisek@acuite.in	

About Acuité Ratings & Research:

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