

Press Release

Lahoty Brothers Private Limited

March 25, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	ACUITÉ BB+/Stable (Assigned)
Short Term Rating	ACUITÉ A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned a long term rating of '**ACUITÉ BB+**' (read as **ACUITÉ double B Plus**) and short term rating of '**ACUITÉ A4+**' (read as **ACUITÉ A four**) on the Rs 21.50 Cr. bank facilities of Lahoty Brothers Private Limited (LBPL). The outlook is '**Stable**'.

The rating factors in an established track record of operations along with average financial risk profile. The company has long term association with Hindustan Petroleum Corporation Limited and Orient fans. The company has a modest capital structure marked by high gearing and moderate debt protection ratios. Acuite believes the scale of operation and financial risk profile of the company will continue to remain at similar level in medium term.

Lahoty Brothers Private Ltd was incorporated in 1943 by Kolkata based Lahoty family. Currently, the company operates six retail outlets of Hindustan Petroleum Corporation Limited (HPCL) in Upper Assam. LBPL is an authorized distributor of Orient Fans in the entire Northeast Region. LBPL is also engaged in trading of raw jute and coal. The company is managed by Mr. Arvind Jatia.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of LBPL to arrive at the rating.

Key Rating Drivers

Strengths

Long operational track record

LBPL was incorporated by Mr. BL Lahoty in 1943. Since then, the company is associated with Hindustan Petroleum Corporation Limited. Currently, the company is managed by Mr Arvind Jatia, who has three decades of experience in petroleum business. The company has a diversified product profile as LBPL is engaged in trading of various items such as petroleum, electrical fans, raw jutes and coal. Apart from this, the company has leased out its commercial property in Kolkata. The company has a moderate scale of operation as reflected from its revenue of Rs 162.56 Cr in FY20 as against Rs 162.23 Cr in FY19. The company has recorded revenue of Rs 114 Cr till December 2020. Acuite believes the scale of operation will continue to remain at a moderate level in medium term.

Prudent working capital management

The company has low working capital requirement as CGA days stood at 67 days in FY20 as against 77 days in previous year. The improvement is driven by decline in debtor level. The company is likely to witness low working capital requirement over the medium term because of healthy cash flow from petroleum business.

Average financial risk profile

The company has an average financial risk profile marked by low net worth, modest gearing ratio and moderate coverage indicator. Net worth of the firm stood at 8.22 Cr as on 31st March 20 as against Rs 7.46 Cr in the previous year. The gearing of company stood at 1.73 times as on 31st March 2020 as against 2.13 times as on 31st March, 2019. Debt level includes Rs 8.11 Cr of Short term debt, Rs 4.59 Cr of Long term debt and Rs

1.49 Cr of Unsecured loan. TOL/TNW stood at 3.65 times in FY20. Debt protection metrics stood at a moderate level as indicated from interest coverage of 1.75 times in FY20 as compared to 1.63 times in previous year. NCA/TD stood at 0.10 times in FY20. Acuite believes financial risk profile is likely to remain at a moderate level in medium term because of high debt level.

Weaknesses

Low profit margin

Profit margin of the company stood low as reflected from its EBITDA margin of 2.28 percent in FY20 as against 1.81 percent in FY19. PAT margin stood at 0.60 percent in FY20 as compared to 0.52 percent in FY19. The profit margins have been at low levels due to trading nature of operations. Acuite believes the profit margin of the company will continue to remain at similar levels over the medium term.

Rating Sensitivity

- Improvement in capital structure
- Revenue growth and sustained improvement in profit margins

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile as working capital utilization during the last 8 months ended February 2021 stood at around only 10 percent. The company's net cash accrual stood low at Rs 1.39 Cr. in FY20 as against current maturity of Rs 0.33 Cr. Current ratio stood at 1.27 times in FY20 as against 1.25 times in FY19. The company has unencumbered cash & bank balance of Rs 0.72 Cr as on March 31, 2020. Moreover, the company had witnessed an improvement as GCA days stood at 67 days in FY20 as against 77 days in FY19 due to decline in inventory and debtor days. Acuite believes liquidity profile will remain adequate in medium term backed by improvement in net cash accrual.

Outlook: Stable

Acuite believes that the outlook of company will remain 'Stable' over the medium term on account of long operational track record. The outlook may be revised to 'Positive' if the company registers significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company witnesses deterioration in liquidity profile due to rise in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	162.56	162.23
PAT	Rs. Cr.	0.98	0.85
PAT Margin	(%)	0.60	0.52
Total Debt/Tangible Net Worth	Times	1.73	2.13
PBDIT/Interest	Times	1.75	1.63

Status of Non-cooperation with other CRA (If Applicable)

LBPL is listed under the 'Non Co-operation by the issuer' category by India Ratings due to inadequate information provided by the company.

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB+/Stable (Assigned)
Term Loan	20.10.2020	Not Applicable	20.09.2024	1.10	ACUITE BB+/Stable (Assigned)
Term Loan	16.05.2020	Not Applicable	16.04.2022	0.75	ACUITE BB+/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE BB+/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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