



Press Release
Lahoty Brothers Private Limited
August 19, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	21.50	-	-

Rating Rationale

Acuite is reaffirmed its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs.21.50 Cr. bank facilities of Lahoty Brothers Private Limited. The outlook is '**Stable**'.

Rationale for Rating

The rating reaffirmation factors in the steady scale of operations of the company along with diversified revenue base and the company's long track record of operations managed by the experienced management. The rating further considers the adequate liquidity position of LBPL supported by the efficient working capital management and moderate financial risk profile. These strengths are however, offset by the thin profitability margins, moderate debt coverage indicators and susceptibility to intense competition in this business.

About the Company

Incorporated in 1943, Lahoty Brothers Private Limited (LBPL) is based in Kolkata and managed by the Lahoty family. The company operates six retail outlets of Hindustan Petroleum Corporation Limited (HPCL) in Upper Assam. Further, 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 promoted by Mr. Arvind Jatia.

The directors of the company are Mr. Pranav Jatia, Mr. Arvind Jatia, Ms. Sangeeta Jatia and Mr. Vijay Singh Sarma.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of LBPL while arriving at the rating.

Key Rating Drivers

Strengths

Steady Scale of Operations

The company has achieved revenues of Rs.200.09 Cr. in FY24(Prov.) as compared to Rs.196.59 Cr. in FY2023 and Rs.180.13 Cr. in FY22. The marginal increase in the operating income is supported by diversification in operations. The company reported an income of about Rs.54 Cr. in Q1FY25. The EBIDTA margin stood at 2.17 percent in FY24 (Prov.) as against 1.94 percent in FY23 and 1.68 percent in FY22. The slight increase in margins was due to sale of fans and jute. The PAT margin stood at 0.57 percent in FY24 (Prov.) as against 0.92 percent in FY23 and 0.74 percent in FY22. Acuite believes that the scale of operations will marginally improve over the medium term backed by diverse revenue profile.

Moderate Financial Risk Profile

The company's moderate financial risk profile is marked by slight increase in networth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.23.99 Cr. in FY24 (Prov.) as against Rs.22.03 Cr. in FY2023 and Rs.19.92 Cr. in FY22 due to low accretion of reserves. Acuite has considered Rs.10.37 Cr. as a part of quasi-equity because the management has undertaken to maintain these unsecured loans in the business over the long term. Gearing of the company stood below unity at 0.79 times in FY24 (Prov.) as against 0.78 times in FY2023 and 0.72 times in FY2022. The gearing is expected to remain comfortable over the medium term. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.15 times in FY2024 (Prov.) as against 1.11 times in FY2023 and 1.66 times in FY22. The debt protection metrics of the company is marked by Interest Coverage Ratio at 1.79 times in FY24 (Prov.) and Debt Service Coverage Ratio at 1.11 times in FY24 (Prov.). Acuite believes that the financial risk profile of the company will remain moderate with no major debt funded capex plans.

Efficient Working Capital Management

The efficient working capital management of the company is marked by comfortable Gross Current Assets (GCA) of 83 days in FY24 (Prov.) as compared to 74 days in FY23 and 92 days in FY22. The inventory period stood at 16 days in FY24 (Prov.) as against 14 days in FY23 and 13 days in FY22. The debtor days stood at 58 days in FY24 (Prov.) as against 53 days in FY23 and 63 days in FY22. The creditor days stood at 10 days in FY24 (Prov.) as against 13 days in FY23 and 36 days in FY22. Acuite believes that the working capital operations of the company will remain on similar levels over the medium term.

Weaknesses

Exposure to intense competition in trading operations & regulatory risks

The trading business is characterised by thin margins and low bargaining power of the dealer owing to the trading nature of operations, as margins on electrical appliances are determined by the principal. The inherently low value addition and intense competition in the sector resulted in low margins for the company. Furthermore, the company is exposed to regulatory risk, as any interference by the Government of India affects its profitability.

Rating Sensitivities

- Growth in the scale of operations along with improvement in the profitability margins
- Improvement in the financial risk profile

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.1.60 crore in FY24 (Prov.) as against Rs.1.19 Cr. long-term debt repayment over the same period. The current ratio stood at 1.92 times in FY24 (Prov.) as compared to 2.07 times in FY23 and 1.69 times in FY22. The cash and bank balances stood at Rs 2.62 crore in FY24 (Prov.) as against Rs.2.86 crore in FY23 and Rs.5.07 crore in FY22. The company does not have any debt funded capex plans over the medium term. Additionally, the fund-based limit was utilized at 73.17 per cent and non-fund-based limit was utilized at 53.33 percent for the six-months ended May 2024. The company has efficient working capital management as reflected by Gross Current Assets (GCA) of 83 days in FY24 (Prov.) as compared to 74 days in FY23 and 92 days in FY22. Acuite believes that the company will maintain adequate liquidity position due to small but steady net cash accruals and no major capex plans.

Outlook: Stable

Acuite believes that the outlook of the company will remain '**Stable**' over the medium term on account of experienced management, steady scale of operations and moderate financial risk profile. The outlook may be revised to '**Positive**' in case of significant growth in

revenue while achieving sustained improvement in operating margins and improvement in capital structure. Conversely, the outlook may be revised to '**Negative**' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	200.09	196.59
PAT	Rs. Cr.	1.15	1.80
PAT Margin	(%)	0.57	0.92
Total Debt/Tangible Net Worth	Times	0.79	0.78
PBDIT/Interest	Times	1.79	1.90

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 May 2023	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.70	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	4.80	ACUITE BBB- Stable (Reaffirmed)
09 May 2022	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Covid Emergency Line.	Long Term	1.10	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Covid Emergency Line.	Long Term	0.75	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Long Term Loan	Long Term	4.65	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
25 Mar 2021	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.75	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Loan	Long Term	1.15	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	11.00	ACUITE A4+ (Assigned)

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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Oct 2026	Simple	0.53	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2024	Simple	0.17	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.80	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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