

Press Release

Lakshmi Float Glass Limited

August 26, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A3 Assigned
Bank Loan Ratings	91.15	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	101.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.101.15 crore bank facilities of LAKSHMI FLOAT GLASS LIMITED (LFGL). The outlook is '**Stable**'.

About the Company

LFGL, promoted by the Delhi-based Gupta family, was established as a partnership firm, Lakshmi Traders, in 1970, and was reconstituted as a private limited company in 1992, and later as a closely held public limited company. The company is engaged in trading of float glass. Its operations are managed by third generation entrepreneur, Mr Amit Gupta, and his uncle Mr Lakshmi Narain Agarwal.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of LFGL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

LFGL was incorporated in 1970 and the company is currently managed by Ashok Kumar Gupta and Mr L.N Aggarwal who have experience of over four decades in the glass and glassware industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. LFGL has wide customer base and is the sole distributor for Asahi India Glass Ltd (AIG) in North India. Further, the experience of the top management and second level management, company has been able to expand its business pan India. Acuite believes that LFGL will continue to benefit from its experienced management and established relationships with customers and suppliers.

Moderate financial risk profile

Financial risk profile of the company is moderate marked by moderate net worth, low gearing

and moderate debt protection metrics. The net worth of the company stood at Rs. 59.26 Crore as on 31 March 2022(Prov.) as against Rs. 53.50 Crore as on 31 March 2021. The gearing level (debt-equity) stood improved at 0.93 times as on 31 March 2022(Prov.) as against 1.32 times as on 31 March 2021. The total debt of the company is Rs. 55.40 Crore as on 31 March 2022 which consists of long term debt of Rs.34.83 Crore, current portion of long term debt of Rs. 6.51 Cr and working capital borrowings of Rs.14.06 Crore. Coverage ratios stood moderate as evident from interest coverage ratio (ICR) of 2.61 times in FY2022(Prov.) as against 2.10 times in FY2021. Further, debt servicing coverage ratio stood at 1.41 times for FY2022(Prov.) as against 1.35 times for FY2021. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.12 times in FY2022(Prov.). However, Debt to EBITDA stood high at 4.07 times in FY2022(Prov.).

Weaknesses

Intensive working capital requirements

LFGL has intensive working capital requirements as evident from Gross Current Assets (GCA) days of 140 days for FY2022(Prov.). However, GCA days improved from 202 days for FY2021. GCA days have improved on account of better realization from debtors. Debtor days stood improved at 72 days for FY2022(Prov.) as against 101 days for FY2021. Further, inventory days stood improved at 34 days for FY2022(Prov.) as against 35 days for FY2021. Further, current ratio stood high at 2.23 times as on 31st March 2022(Prov.).

Highly fragmented and competitive industry

The glass and glassware industry is highly fragmented with several organized and unorganized players, thereby impacting the company's profitability. Acuité believes that high fragmentation and competition is likely to impact the profitability

Exposed to volatility in fuel and raw material costs

With glass manufacturing being an energy-intensive process, the company's profitability is highly exposed to volatility in fuel and raw material prices. Additionally, silica sand, soda ash and dolomite account for 70% of the total raw material costs and the company's profitability is sensitive to availability from proximity and the fluctuations in prices of these raw materials.

Rating Sensitivities

- >Deterioration in financial risk profile of the company
- >Deterioration in scale of operations and profitability margins.

Material covenants

None.

Liquidity Position Adequate

LFGL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 6.76 Cr. in FY2022(Prov.) as against debt repayment obligation of Rs. 3.27 Cr for the year. The cash accruals of the company are estimated to remain in the range of around Rs.7.98 Crore to Rs. 9.49 Crore during FY23-24 as against repayment obligation of around Rs. 5.96 Cr to 5.23 Cr for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 140 days. However, the fund based bank limits were only utilized at an average of 27.73 percent for last 8 months ending April 2022. Further, the company maintains unencumbered cash and bank balances of only Rs.0.15 Crore as on 31 March 2022(Prov.). The current ratio stands at 2.23 times as on 31 March 2022(Prov.).

Outlook: Stable

Acuité believes that LFGL will maintain a '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 LFGL'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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	265.07	183.79
PAT	Rs. Cr.	5.76	4.00
PAT Margin	(%)	2.17	2.17
Total Debt/Tangible Net Worth	Times	0.93	1.32
PBDIT/Interest	Times	2.61	2.10

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

Brickwork vide its press release dated 23 June 2022, has mentioned the rating of LFGL to '[BWR]BB' Issuer Not Cooperating as on 23 June 2022.

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Assigned
Deutsche Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	7.18	ACUITE BBB- Stable Assigned

Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.88	ACUITE BBB- Stable Assigned
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.79	ACUITE BBB- Stable Assigned
Deutsche Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.74	ACUITE BBB- Stable Assigned
Deutsche Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.68	ACUITE BBB- Stable Assigned
Deutsche Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.75	ACUITE BBB- Stable Assigned
Standard Chartered Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.17	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	8.96	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 shreyansh.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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