



Press Release
Lakshmi Float Glass Limited
November 22, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the improved business risk profile of the company marked by growth in business operations. The revenue from operations of the company witnessed improvement to Rs. 364.21 crore in FY2023 as against Rs. 265.31 crore in FY2022. Furthermore, the Working capital operations of the company witnessed improvement over FY2022-23. The GCA Days of the company improved to 149 Days in FY2023 as against 175 Days in FY2022. The profitability margins of the company remains stable with minor positive change. The operating profit margin of the company stood at 4.83 percent in FY2023 as against 4.76 percent in FY2022. Likewise, the company reported Profit after Tax (PAT) of Rs. 9.16 crore in FY2023 as against Rs. 6.51 crore in FY2022. The rating further draws comfort from the adequate liquidity position and moderate financial risk profile of the company. The rating is however constrained on account of high working capital requirement of operations and loans and advances given to related parties. Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator.

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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

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. Acuité believes that LFGL will continue to benefit from its experienced management and established relationships with customers and suppliers.

Business risk profile-Improved

LFGL's Operating income substantial improvement which is apparent from growth in revenue from operations by ~37% in FY2023 to Rs 364.21 crore as against Rs. 265.31 crore for FY2022 (~98 percent from FY 21 to FY 23). The operating profit margin of the company remains stable with minor improvement of 7 bps in FY 23. Operating Profit Margin of company stood at 4.83% in FY2023 as against 4.76% in FY2022 likewise the net profit margin of the company is stable with minuscule increase of 6 bps and stood at 2.52 percent in FY2023 as against 2.46 percent in FY 22. ROCE of the company stood at 13.10 percent in FY2023. Company has achieved operating income of Rs ~181 crore in H1FY 24.

Financial Risk Profile- Moderate

Company has moderate financial risk profile marked by moderate net worth, coverage indicators and low gearing. The Total Tangible net worth stood at Rs. 69.15 Cr as on 31st March 2023 as against Rs. 59.99 Cr a year earlier. Increase in net worth is on account of Profit accretion.

Company follows conservative leverage policy marked by its low gearing. Debt to Equity ratio improved and stood at 1.12 times in FY 2023 as against 1.34 times in FY 22. Improvement in gearing is on account of increase in Net Worth. Gearing is expected to improve in near medium term.

Interest coverage ratio increased by 26 bps and stood comfortable at 3.02 times for FY2023 as against 2.76 times in FY2022. Improvement in Interest coverage ratio is on account of higher operating income and stable operating margin in FY 23 in comparison to FY 22. However, Debt Service coverage ratio decreased by 148 bps and stood moderate at 1.28 times for FY2023 as against 1.49 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 1.69 times as on FY2023 vis-à-vis 1.76 times as on FY2022. Debt-EBITA improved and stood at 3.95 times as on 31st March 2023 as against 5.47 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.13 times as on FY2023 and 0.09 times for FY2022. The financial risk profile of the company is expected to improve and remain comfortable in medium terms, as the company do not have any large capex plan in the medium term.

Weaknesses

Working capital operations- Improved yet high

Company has improved yet high working capital requirements as evident from gross current assets (GCA) of 149 days in FY2023 as compared to 175 days in FY2022. High Working capital requirement is on account of High Inventory Days and loans and advances given to related parties. Inventory days stood at 22 days in FY 23 (32 days in FY22). Debtor days stood at 59 days in FY2023 as against 71 days in FY 22.

Fund based working capital limits are utilized at ~ 61 per cent while the non-fund based working capital limits are utilized at ~57 percent during the last twelve months ended June 23

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.

Significant Amount given to Related parties

Company has given loans and advances to related parties of Rs 62.58 crore which is ~90 percent of total Networth of the company. In case of non-recoverability of these loans and advances in future will cause severe impact on financial risk profile of the company.

Rating Sensitivities

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

All Covenants

Not Applicable

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 10.06 crore for FY2023 as against obligations of Rs. 6.48 crore for the same period. Current Ratio stood at 1.69 times as on 31 March 2023 as against 1.81 times in the previous year. Fund based working capital limits are utilized at ~ 61 per cent while the non-fund based working capital limits are utilized at ~57 percent during the last twelve months ended June 23 leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of company stood at Rs 1.09 crore. Further company has fixed deposits of Rs 8.69 crore for FY 23(unencumbered fixed deposits of Rs ~0.75 crore).

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.

Other Factors affecting Rating

Not applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	364.21	265.31
PAT	Rs. Cr.	9.16	6.51
PAT Margin	(%)	2.52	2.46
Total Debt/Tangible Net Worth	Times	1.12	1.34
PBDIT/Interest	Times	3.02	2.76

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>
- Trading Entitie: <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

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
26 Aug 2022	Secured Overdraft	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.88	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.18	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	8.96	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.17	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.79	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.75	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.74	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	3.68	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.53	ACUITE BBB- Stable Reaffirmed
Deutsche Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.18	ACUITE BBB- Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.88	ACUITE BBB- Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.79	ACUITE BBB- Stable Reaffirmed
Deutsche Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.39	ACUITE BBB- Stable Reaffirmed
Deutsche Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.94	ACUITE BBB- Stable Reaffirmed
Deutsche Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.75	ACUITE BBB- Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.17	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Himanshu Mehta Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.