

Press Release

Lauls Private Limited (Erstwhile Lauls Limited)

December 05, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.00	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	6.00	-	ACUITE A4 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	67.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.67.00 Cr. bank facilities of Lauls Private Limited (LPL). The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

The rating is constrained on the account of lack of operational information.

About the Company

The Faridabad-based, Lauls Private Limited, established in 1966 was promoted by Mr. Abhay Sagar Gupta and family. The company is the consignment agent for Tata Steel Limited and also a distributor of ferrous alloys. Besides, it is also engaged in the manufacture of steel components viz fish plates, inserts among others for Indian Railways.

Analytical Approach

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

Key Rating Drivers

Strengths

>Long Experience of the promoters in the business

The company is engaged in the trading of non ferrous alloys since 1933 with almost four decades of presence in the steel industry. The company is authorised distributor of non ferrous alloys of Tata Steels. Tata Steel command healthy position in the non-ferrous alloys segment. The company's procurement is mainly on the basis of orders from customers. Thus the company is not exposed to the price fluctuation in the ferrous alloys prices. Company is in niche segment of railway equipment business

>Improving revenue while maintaining the profitability margins.

Lauls Private Limited (LPL) has seen an improvement in the revenue by 66.47% growth. The revenue of the company rose to Rs.685.31 crore in FY2022 from Rs.411.66 crore in FY2021. The EBITDA and PAT Margins of the company has remained in line. The EBITDA Margins of the company stood at 2.31 percent in FY2022 as against 2.08 percent in FY2021. The PAT Margins stood slight higher at 2.31 percent in FY2022 as against 2.08 percent in FY2021. The ROCE of the company stood at 14.90 percent in FY2022 as against 11.80 percent in FY2021.

>Working capital management - Efficient

The working capital requirements of the company is marked efficient as the GCA stood at 61 days as on March 31, 2022 improving from 78 days as on March 31, 2021. The improvement in GCA is on the account of efficient inventory management. The Inventory days stood at 17 days as on March 31, 2022 as against 26 days as on March 31, 2021. The debtors day stood at 41 days as on March 31, 2022 as against 47 days as on March 31, 2021. The Creditors day stood at 25 days as on March 31, 2022 as against 30 days as on March 31, 2020.

>Financial risk profile-moderate

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and comfortable debt protection metrics.

The tangible net worth stood moderate at Rs.105.26 crore as on 31 March 2022 as against Rs.89.42 crore as on 31 March, 2021. Total debt of the company stood at Rs.46.71 crore as on 31 March 2022 as against Rs.69.21 crore as on 31 March, 2021. Total debt comprises of long term debt of Rs 7.56 crore, short term debt of Rs 23.38 crore and USL from directors of Rs 12.35 crore. Gearing (debt-equity) of the company improved to 0.44 times as on 31 March 2022 as against 0.77 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood moderate at 1.13 times as on 31 March 2022 as against 1.26 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.44 times as on 31st March FY2022 as against 0.19 times as on 31st March 2021. Debt protection metrics of the company is marked comfortable with Interest Coverage Ratio at 10.47 times in FY2022. Debt Service Coverage Ratio (DSCR) stood at 8.48 times in FY2022.

Weaknesses

>Intense competition and inherent cyclical nature of the steel industry

The industry remained heavily fragmented and unorganized. The company is exposed to intense competitive pressures from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

- >Improving revenue and healthy profitability margins
- >Moderate financial risk profile and efficient working capital management
- >Adequate liquidity

Material covenants

None

Liquidity Position

Adequate

The company's liquidity profile is adequate marked by adequate net cash accruals of Rs.20.52 Cr in FY2022. The firm maintains unencumbered cash and bank balances of Rs. 0.28 crore as on March 31, 2022. The current ratio of the company stood moderate and in line at 1.31 times as on March 31, 2022 as against 1.31 times as on March 31, 2021.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	685.31	411.66
PAT	Rs. Cr.	15.84	8.58

PAT Margin	(%)	2.31	2.08
Total Debt/Tangible Net Worth	Times	0.44	0.77
PBDIT/Interest	Times	10.47	6.44

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- 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>

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
24 May 2022	Letter of Credit	Short Term	3.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	52.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	9.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
23 Feb 2021	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	52.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	9.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
13 Dec 2019	Letter of Credit	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	9.00	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	52.00	ACUITE BB (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE B+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	52.00	ACUITE B+ Reaffirmed & Withdrawn

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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.

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