



Press Release
LOCKSMITHS INDUSTRIES PRIVATE LIMITED
October 18, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.60	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	6.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	19.85	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘ACUITÉ BB’ (read as ACUITE double Ba) and short-term rating of ‘ACUITÉ A4+’ (read as ACUITE A four plus) on the Rs. 19.85 Cr. bank facilities of Locksmiths Industries Private Limited (LIPL). The outlook is ‘Stable’.

Rationale for the rating reaffirmation

The rating reaffirmation considers improving profitability margins albeit decline in scale of operations in FY2024. The revenue of the company has declined and stood at Rs. 62.27 crore in FY2024(Prov.) as against Rs. 75.41 crore in FY2023. EBITDA margin increased to 11.39 percent in FY2024(Prov.) from 6.86 percent in FY2023 and the PAT margin stood at 2.46 percent in FY2024(Prov.) as against 0.63 percent in FY2023. Further, the rating also factors in the strong industry experience of management which helps them maintain a longstanding relationship with reputed clientele like VIP, Safari and Samsonite. These strengths are, however, offset by the average financial risk profile of the company marked by a low net worth, below average gearing along and comfortable debt protection metrics along with high reliance on short-term bank financing. Further, the company faces the customer concentration risk with more than half of the company’s income from the top three customers, any downside to their businesses could harm the operations of LIPL.

About the Company

Incorporated in 1988, Locksmiths Industries Private Limited (LIPL) is an established manufacturing company in locking systems for luggage industries and modular furniture hardware. Company manufactures luggage hardware like combination locks for hard luggage which are Transportation Security Administration (TSA) category locks or non-TSA locks, trolley of a luggage bag and wheels etc. LIPL is one of the few companies in the world to hold the license to manufacture TSA specialized locks used widely in North America, Europe, Japan, etc. for which the

company pays royalty to Travel Sentry. The manufacturing facility of LIPL is located at MIDC Satpur, Nashik. LIPL is promoted by Mr. Nimesh Kishore Sheth and Mrs. Dipa Nimesh Sheth.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Locksmiths Industries Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

LIPL has an established track record of operations dating back almost three decades, along with experienced management. The company is promoted by Mr. Nimesh Kishore Sheth and Mrs. Dipa Nimesh Sheth. The promoters and management of the company have experience of over 2 decades in the industry. The experience of the management has helped the company to maintain a stable longstanding relationship with reputed clients namely VIP, Safari and Samsonite. The company is one of the few who holds the Travel Sentry manufacturing license to make TSA locks for which company pays royalty to them. Acuité believes that the long operational track record coupled with the extensive experience of the management and relationship with reputed clientele will continue to benefit LIPL going forward, resulting in steady growth in the scale of operations.

Decline in scale of operation albeit growth in profitability margins

The revenue of the company has declined and stood at Rs. 62.27 crore in FY2024(Prov.) as against Rs. 75.41 crore in FY2023 due to intense competition in the industry. The operating profit of the company increased in absolute terms and stood at Rs. 7.09 Cr. in FY2024(Prov.) as compared to Rs. 5.17 Cr. in FY2023. EBITDA margin increased to 11.39 percent in FY2024(Prov.) from 6.86 percent in FY2023. Further, the PAT increased and stood at Rs. 1.53 Cr. in FY2024(Prov.) as against Rs. 0.48 Cr. in FY2023 and the PAT margin stood at 2.46 percent in FY2024(Prov.) as against 0.63 percent in FY2023.

Weaknesses

Average Financial Risk profile

The financial risk profile of the company stood moderate, marked by low net worth, below average gearing (debt-equity) and comfortable debt protection metrics. The tangible net worth increased and stood at Rs. 8.52 crore as on 31 March 2024 (Prov.) as against Rs. 6.99 crore as on 31 March 2023. The gearing (debt-equity) stood at 3.50 times as on 31 March 2024 (Prov.) as compared to 4.30 times as on 31 March 2023. The total debt of the company stood at Rs. 29.87 crore which includes long term debt of Rs. 6.46 Cr., short-term debt of Rs.19.52 Cr. and unsecured loans of Rs.3.90 crore as on 31 March 2024(Prov.). as against Rs. 30.07 Cr. in FY2023. Interest Coverage Ratio stood at 2.06 times for FY2024(Prov.) as against 1.69 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.10 times in FY2024(Prov.) as against 1.13 times in FY2023. Acuite believes that going forward, the financial risk profile of the company may improve slowly, backed by steady cash accruals and no major debt funded capex plans.

Intensive Working Capital cycle

The working capital management of the company is intensive marked by GCA days of 218 days in FY24(Prov.) as against 167 days in FY23. The company maintains inventory levels of around 154 days in FY24(Prov.) as against 121 days for FY23. The Debtor days stood at 70 days in FY24(Prov.) as against 42 days for FY23. Furthermore, the creditor days stood at 60 days in FY24(Prov.) as against 45 days in FY23. LIPL has high reliance on the short-term bank financing, average utilization of Cash Credit is around 92.54 percent in last six months ended September 2024. Acuite believes that the working capital operations of the company may continue to remain at similar levels going forward considering the nature of operations.

Rating Sensitivities

- Increase in scale of operations while maintaining profitability.
- Deterioration in the financial risk profile of the company leading to stretch on liquidity.

Liquidity Position Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The company generated net cash accruals in of Rs. 3.18 Cr. in FY2024(Prov.) against its maturing repayment obligations of Rs. 2.55 Cr. in the same tenure. However, the working capital management of the company is intensive marked by GCA days of 218 days in FY2024(Prov.) as against 167 days in FY2023. Further, LIPL has high reliance on the short-term bank financing, average utilization of Cash Credit is around 92.54 percent in last six months ended September 2024. The current ratio stands at 1.30 times as on March 31, 2024(Prov.), as against 1.32 times as on 31 March 2023. Acuite believes the liquidity position of the company may continue to remain adequate due to steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	62.27	75.41
PAT	Rs. Cr.	1.53	0.48
PAT Margin	(%)	2.46	0.63
Total Debt/Tangible Net Worth	Times	3.50	4.30
PBDIT/Interest	Times	2.06	1.69

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

Not Applicable

Any other information

None

Applicable Criteria

- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
21 Jul 2023	Cash Credit	Long Term	13.60	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	6.25	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.60	Simple	ACUITE BB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.25	Simple	ACUITE A4+ Reaffirmed

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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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