



SMERA RATINGS LIMITED

Lalwani Industries Limited (LIL)

*Rating
Rationale*

February 18, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.40	SMERA BB / Stable (Assigned)
Letter of Credit	9.00	SMERA A4+ (Assigned)
Bank Guarantee	0.10	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.10.50 crore bank facilities of Lalwani Industries Limited (LIL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations, revenue de-growth and average financial risk profile. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuation in foreign exchange rates. However, the ratings are supported by the company's long track record of operations, experienced management, reputed clientele and group support.

LIL, incorporated in 1995, is a Kolkata-based company engaged in manufacturing and trading of ferro alloys used in the steel industry. LIL has small-scale of operations with net sales of Rs.34.68 crore in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the company's revenues have declined from Rs.49.04 crore in FY2010-11 to Rs.38.49 crore in FY2011-12 and Rs.34.68 crore in FY2012-13. LIL has an average financial risk profile marked by a modest net worth of Rs.5.26 crore as on March 31, 2013. The company's interest coverage is low at 1.75 times in FY2012-13.

LIL's profitability is susceptible to volatility in raw material prices. The company's net profit margin is low at 1.33 per cent in FY2012-13. Moreover, the company's net profit (of Rs.0.46 crore in FY2012-13) is largely supported by non-operating income (of Rs.0.20 crore) arising from interest received on bank deposits. LIL is a net importer and the company hedges only 25 per cent of its forex exposure. LIL's profit margins are thus susceptible to adverse movements in foreign exchange rates. The company is also exposed to the inherent cyclicity in the steel industry.

LIL benefits from its experienced management. Mr. Kamal Kishore Lalwani, director of LIL, has around three decades of experience in the ferro alloys industry. Mr. Sandeep Lalwani (son of Mr. Kamal Kishore Lalwani), has around thirteen years of experience in the company's line of business. LIL has long-standing relationships with various reputed customers including Usha Martin Limited, Larsen & Toubro Limited and Bharat Roll Industry Private Limited. LIL benefits from the financial, managerial and operational support derived from its flagship company — Lalwani Ferro Alloys Limited.

Disclaimer: A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes LIL will continue to benefit over the medium term from its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company scales up its operations while registering better profit margins and generating healthy cash flows. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability or in case of deterioration in the company's profitability and financial risk profile on account of higher-than-expected debt funded working capital requirements.

About the company

LIL, incorporated in 1995, is a Kolkata-based company promoted by Mr. Kamal Kishore Lalwani and his family members. LIL is engaged in manufacturing of ferro alloys (including ferro silicon magnesium, ferro aluminium, ferro chrome, ferro molybdenum and nickel magnesium) used in the steel industry. The company is also engaged in trading of manganese ore, moly oxide and nickle. LIL has a manufacturing unit in South 24 Parganas, (Paschim Banga), with an aggregate installed capacity of 1,560 metric tonnes per annum.

For FY2012-13, LIL reported PAT of Rs.0.46 crore on operating income of Rs.34.68 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.38.49 crore for FY2011-12. LIL's net worth stood at Rs.5.26 crore as on March 31, 2013, as compared with Rs.4.80 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President, SME - Sales Tel : +91-22-6714 1177 Cell : +91 99300 74009 Email : virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head - Corporate Ratings Tel: +91-22-67141106 Cell: +91-9833651336 Email: umesh.nihalani@smera.in	Tel: +91-22-67141170 Email: ratingdesk@smera.in

Disclaimer: A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.