



SMERA RATINGS LIMITED

Lalwani Industries Limited

(LIL)

Rating

Rationale

March 03, 2015

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

SMERA has upgraded the long-term rating on the Rs.1.40 crore bank facility of Lalwani Industries Limited (LIL) to '**SMERA BB+**' (read as **SMERA double B plus**) from SMERA BB (read as SMERA double B). The outlook is '**Stable**'. SMERA has also reaffirmed the short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.9.10 crore bank facility of the company. The upgrade of the long-term rating reflects improvement in the company's debt protection metrics and working capital management. The upgrade also reflects healthy revenue growth registered by the company in the current financial year. The ratings continue to draw comfort from the company's experienced management and reputed clientele. The ratings also draw comfort from the strong group support available to the company.

Update

LIL's interest coverage ratio has increased from 2.64 times in FY2012-13 (refers to financial year, April 01 to March 31) to 3.45 times in FY2013-14. The company's cash credit utilisation is comfortable at 50 per cent during June 2014 to December 2014. LIL's debt service coverage ratio has improved from 2.18 times in FY2012-13 to 2.85 times in FY2013-14. LIL reported net profit of Rs.0.65 crore on operating income of Rs.34.35 crore in FY2013-14, as compared with net profit of Rs.0.46 crore on operating income of Rs.34.68 crore in FY2012-13. The company registered revenue of Rs.32.93 crore during April 2014 to December 2014. LIL's net worth stood at Rs.5.91 crore as on March 31, 2014, as compared with Rs.5.26 crore a year earlier.

LIL continues to benefit from its experienced management. Mr. Kamal Kishore Lalwani, director of LIL, has around three decades of experience in the ferro alloy industry. Mr. Sandeep Lalwani, director of LIL, has around 14 years of experience in the company's line of business. LIL has long-standing relations with various reputed customers including Usha Martin Limited, Larsen & Toubro Limited and Bharat Roll Industry Private Limited. LIL also benefits from the strong operational and financial support provided by its group entities.

Outlook: Stable

SMERA believes LIL will maintain a stable business risk profile over the medium term. The company is likely to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in scale of operations while achieving improvement in profit margins and cash flows. Conversely, the outlook

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may be revised to 'Negative' in case the company fails to achieve the projected scalability, or in case of deterioration in the company's financial risk profile.

About the company

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

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