



SMERA RATINGS LIMITED

Lalwani Metallics Private Limited (LMPL)

Rating Rationale

March 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.20	SMERA BB/Stable (Reaffirmed)
Letter of Credit	7.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	0.05	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.8.75 crore bank facilities of Lalwani Metallics Private Limited (LMPL). The outlook is '**Stable**'. The ratings remain constrained by the company's small-scale operations and moderate financial risk profile. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates. However, 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

For FY2013-14 (refers to financial year, April 01 to March 31), LMPL reported net profit of Rs.0.22 crore on operating income of Rs.36.84 crore, as compared with net profit of Rs.0.29 crore on operating income of Rs.43.77 crore in FY2012-13. The company's moderate financial risk profile is marked by net worth of Rs.3.29 crore as on March 31, 2014 and interest coverage ratio of 1.43 times in FY2013-14.

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

Outlook: Stable

SMERA believes LMPL will maintain a stable business risk profile over the medium term. The company will continue 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 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.

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About the company

LMPL, incorporated in 1994, is a Kolkata-based company promoted by members of the Lalwani family. LMPL is engaged in trading of ferro alloys used in the steel industry. The company's product portfolio includes nickle, ferro silicon, magnesium metal, ferro phosphorus, ferro silicon calcium, ferro chrome, ferro manganese and aluminium notch bars.

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