

### Lalwani Metalics Private Limited: Downgraded

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	1.20	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Letter of Credit	7.50	SMERA A4 (Downgraded from SMERA A4+)
Bank Guarantee	0.05	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the long-term rating on the Rs.1.20 crore bank facility of Lalwani Metalics Private Limited (LMPL) to **'SMERA BB-' (read as SMERA double B minus)** from SMERA BB (read as SMERA double B). SMERA has also downgraded the short-term rating of the Rs.7.55 crore bank facilities to **'SMERA A4' (read as SMERA A four)** from SMERA A4+ (read as SMERA A four plus). The outlook is **'Stable'**. The rating downgrade reflects significant deterioration in its financial risk profile due to decline in profitability, coverage indicators and net cash accruals. The ratings are further constrained by the modest scale of operations and working-capital intensive business. However, the ratings are supported by the experienced management and reputed clientele. The ratings also draw comfort from the strong parent support from Lalwani Ferro Alloys Limited.

#### Update

LMPL's interest coverage ratio declined from 0.68 times in FY2013-14 (refers to financial year, April 01 to March 31) to 1.43 times in FY2014-15. The company's cash credit utilisation has been comfortable at 70 per cent during December 2015 to March 2015. The debt service coverage ratio declined from 1.46 times in FY2013-14 to 1.29 times in FY2014-15. The company reported net loss of Rs.0.30 crore on operating income of Rs.53.91 crore in FY2014-15, as compared with net profit of Rs.0.22 crore on operating income of Rs.36.84 crore in FY2013-14. The net worth stood at Rs.5.45 crore (including unsecured loan of Rs.2.46 crore as quasi-equity) as on March 31, 2015, as compared with Rs.4.06 crore (including unsecured loan of Rs.0.77 crore as quasi-equity) a year earlier.

LMPL continues to benefit from its experienced management. Mr. Kamal Kishore Lalwani, and Mr. Sandeep Lalwani, Directors have around two decades of experience in the company's line of business. The company also has long-standing relations with reputed customers such as Usha Martin Limited, Larsen & Toubro Limited, Bharat Roll Industry Private Limited to name a few. Besides, LMPL also benefits from the strong operational and financial support provided by 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 registers deterioration in the profitability and financial risk profile on account of higher-than-expected debt-funded working capital requirements.

### Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile

### Criteria applied to arrive at the ratings:

- Trading Entities

### Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating/ Outlook
			Long Term	Short Term	
03 March, 2015	Cash Credit	1.20	SMERA BB (Reaffirmed)	-	Stable
	Letter of Credit	7.50	-	SMERA A4+ (Reaffirmed)	-
	Bank Guarantee	0.05	-	SMERA A4+ (Reaffirmed)	-
18 Feb, 2014	Cash Credit	1.20	SMERA BB (Assigned)	-	Stable
	Letter of Credit	7.50	-	SMERA A4+ (Assigned)	
	Bank Guarantee	0.05	-	SMERA A4+ (Assigned)	

### About the Company

LMPL, incorporated in 1994, is a Kolkata-based company promoted by the Lalwani family. The company is engaged in the trading of ferro alloys used in the steel industry. The product portfolio includes nickle, ferro silicon, magnesium metal among others.

For FY2014-15, the company reported net loss of Rs.0.30 crore on operating income of Rs.53.91 crore, as compared with profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.36.84 crore in FY2013-14. The net worth of the company stood at Rs.5.45 crore (including unsecured loan of Rs.2.46 crore as quasi-equity) as on March 31, 2015 against Rs.4.06 crore (including unsecured loan of Rs.0.77 crore as quasi-equity) a year earlier.

### Contacts:

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

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