

Press Release

Lalwani Metallics Private Limited

16 November, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.75 crore bank facilities of Lalwani Metallics Private Limited. The outlook is '**Stable**'.

Lalwani Metallics Private Limited (LMPL), incorporated in 1994 is a Kolkata-based company led by Mr. Kamal Kishore Lalwani and Mrs. Snehlata Lalwani (Founder Directors). The company is engaged in the trading of nickel, ferro silicon, magnesium metal, flourspar, ferro phosphorus, ferro silicon calcium among others.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations:**

The promoters of the Lalwani group, Mr Lalwani and family have more than three decades of experience in the business of ferro alloys. The long track record has helped establish healthy relations with reputed customers including Usha Martin, Bharat Roll Industry and Larsen & Toubro.

- **Average financial risk profile:**

The company has an average financial risk profile marked by moderate networth, low gearing, and moderate debt protection metrics. The net worth stood modest at Rs.3.38 crore in FY2017 (Provisional) compared to Rs.8.20 crore in FY2016. During the previous rating exercise we have treated Rs 5.20 crore as quasi equity based on the confirmation that the amount will be maintained in the business over the medium term. However, this amount has been paid off in FY2017 (Provisional). The gearing stood nil in FY2017 (Provisional) compared to 0.14 times in FY2016. The interest coverage ratio and the debt service coverage ratio stood at 2.10 times and 1.69 times in FY2017 (Provisional) compared to 1.04 times and 1.03 times in FY2016.

Weaknesses

- **Working capital intensive operations:**

The working capital management of the company is marked by high GCA days of 229 in FY2017 (Provisional) and 166 in FY2016. The debtors stood at 190 days in FY2017 (Provisional) compared to 142 days in FY2016 respectively. The inventory days stood at 26 in FY2017 (Provisional) as against 16 in FY2016.

- **Low profitability margins:**

Due to the trading nature of business, the margins of the company have been thin. The operating

margin is 2.09 per cent in FY2017 (Provisional) compared to 1.29 per cent in FY2016. This is mainly on account of decrease in the procurement costs and administrative expenses. The pat margin stood at 0.93 per cent and 0.02 per cent in FY2017 (Provisional) and FY2016. This is mainly due to lower interest burden.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of LMPL.

Outlook: Stable

SMERA believes that LMPL will maintain a stable outlook over the medium term owing to its promoters' experience and long track record of operations. The outlook may be revised to 'Positive' if LMPL registers more than expected revenue and profitability while maintaining its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or if the working capital cycle elongates.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), LMPL reported profit after tax (PAT) of Rs.0.38 crore on total operating income of Rs.40.80 crore, compared with PAT of Rs.0.01 crore on total operating income of Rs.46.48 crore in FY2015-16.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Jun, 2016	Cash Credit	Long Term	INR 1.2	SMERA BB- / Stable (Downgraded)
	Letter of Credit	Short Term	INR 7.5	SMERA A4 (Downgraded)
	Bank Guarantee	Short Term	INR 0.05	SMERA A4 (Downgraded)
03-Mar, 2015	Cash Credit	Long Term	INR 1.2	SMERA BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	INR 7.5	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.05	SMERA A4+ (Reaffirmed)
18-Feb, 2014	Cash Credit	Long	INR 1.2	SMERA BB / Stable (Assigned)

	Letter of Credit	Short Term	INR 7.5	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	INR 0.05	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA BB-/ Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1222 abhishek.dey@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.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.