

Press Release

Lalwani Metallica Private Limited

April 30, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.75 crore bank facilities of Lalwani Metallica Private Limited (LMPL). The outlook is '**Stable**'.

LMPL, incorporated in 1994, is a Kolkata-based company promoted by Mr. Kamal Kishore Lalwani and Mrs. Snehlata Lalwani. The company is engaged in the trading of nickel, ferro silicon, magnesium metal, flourspar, ferro phosphorus and ferro silicon calcium, among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of LMPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

The promoters of the LMPL, Mr Lalwani and family have more than 25 years of experience in the business of ferro alloys. The long track record has helped establish healthy relations with customers and suppliers.

Moderate financial risk profile

The moderate financial risk profile of the company is marked by low net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.5.45 crore in FY2018 increased from Rs.3.68 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.61 times in FY2018. The total debt of Rs.3.30 crore consist of short term debt of Rs.0.35 crore and unsecured loan from promoters of Rs.2.95 as on 31 March, 2018. The interest coverage ratio (ICR) of the company stood healthy at 6.64 times in FY2018 as compared to 2.59 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 4.88 times in FY2018 as compared to 2.19 times in FY2017. The net cash accruals against the total debt stood comfortable at 0.57 times in FY2018.

Weaknesses

Moderate scale of operations

LMPL operates in moderate scale where it achieved revenue of Rs.66.68 crore in FY 2018 as compared to Rs.40.91 crore in the previous year. The company has booked Rs.52.21 crore till 27 March, 2019 (Provisional).

Working capital intensive nature of operations

The company's operations are working capital intensive in nature. Acuite observes, though there has been improvement in the gross current assets (GCA) days in FY 2018- the same still stands moderate. The GCA days stood at 125 days in 2017-18 as compared to 233 days in 2016-17. These high GCA days emanates from high debtor days of 106 in FY2018 compared to 173 days in FY2017. The inventory days stood comfortable at 17 days in FY2018 as compared to 27 days in the previous year.

Liquidity Position:

The company has moderate liquidity marked by moderate net cash accruals. The company has generated cash accruals of Rs.1.78 crore in FY2017-18 against its nil debt obligations. The moderate liquidity of the company is also marked by 50-60 per cent utilisation of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 125 in FY 2018.

Outlook: Stable

Acuite believes that LMPL will continue to benefit over the medium term from the promoters' vast experience. The outlook may be revised to 'Positive' if LMPL achieves more than envisaged sales and profitability while maintaining its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	66.68	40.91	46.48
EBITDA	Rs. Cr.	2.91	1.32	0.60
PAT	Rs. Cr.	1.77	0.68	0.01
EBITDA Margin	(%)	4.37	3.24	1.29
PAT Margin	(%)	2.66	1.65	0.02
ROCE	(%)	49.38	22.75	9.71
Total Debt/Tangible Net Worth	Times	0.61	-	2.12
PBDIT/Interest	Times	6.64	2.59	1.04
Total Debt/PBDIT	Times	1.08	-	8.11
Gross Current Assets (Days)	Days	125	233	166

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Nov-2018	Cash Credit	Long Term	1.20	ACUITE BB-(Indicative)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Indicative)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Indicative)
16-Nov-2017	Cash Credit	Long Term	1.20	ACUITE BB-/Stable (Reaffirmed)

	Letter of Credit	Short Term	7.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Reaffirmed)
06-Jun-2016	Cash Credit	Long Term	1.20	ACUITE BB-/Stable (Downgrade)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Downgrade)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Downgrade)

***Annexure – Details of instruments rated**

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

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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