

Press Release

Lalwani Metallica Private Limited

February 26, 2021

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 8.75 crore
Long Term Rating	ACUITE B+/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Incorporated in 1994, Lalwani Metallica Private Limited (LMPL) is a Kolkata based company engaged in the trading of nickel cathodes, ferro silicon and other metals and alloys. LMPL is promoted by Mr. Sanjeev Lalwani, Mr. Kamal Kishore Lalwani and Mrs. Snehlata Lalwani

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

Established in 2004, LMPL has a long operational track record of twenty six years in the ferro alloys trading business. The promoters of the company Mr.Sanjeev Lalwani, Mr.Kamal Kishore Lalwani and Mrs. Snehlata Lalwani have more than two decades of experience in the ferro alloys industry. Acuite believes the long track record of operations and experience of management will continue to support the business risk profile over the medium term.

Weakness

• Below average financial risk profile

The company's below average financial risk profile is marked by low net worth, comfortable gearing and weak debt protection metrics. The net worth of the company decreased to Rs.3.79 crores as on March 31, 2020, compared to Rs.5.49 crores on March 31, 2019 due to losses incurred in FY2020. The company has low gearing at 0.75 times as on March 31, 2020 as against 2.11 times as on March 31, 2019 due to repayment of unsecured loans. The debt of Rs.2.84 crores mainly consists of unsecured loans of Rs.1.70 crores and short term debt of Rs.1.14 crores. The weak debt protection metrics of the company is marked by Interest Coverage Ratio which stood at negative 0.45 times in FY2020 as against 1.13 times in FY2019 and Debt Service Coverage Ratio(DSCR) decreased to negative 0.46 times in FY2020 as against 1.07 times in FY2019 due to reduction of operating profitability. The NCA/TD(Net Cash accruals to total debt) stood at negative 0.60 times in FY2020 as compared to 0.00 times in FY2019 mainly on account of losses incurred in FY2020. Acuite believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

• Intense competition and inherent cyclicality in the steel industry

The industry remained heavily fragmented and unorganized. The company is exposed to intense competitive pressures from large number of organized and unorganized players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivity

- Improvement in profitability parameters
- Deterioration in capital structure

Material Covenants

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by negative cash accruals of Rs.1.70 crores in FY2020. However, there were no major debt repayments during the previous financial year. The current ratio stood at 1.80 times as on March 31, 2020 as compared to 4.32 times as on March 31, 2019. The unencumbered cash and bank balances stood at Rs.0.13 crores as on March 31, 2020 against Rs.0.67 crores as on March 31, 2019. However, the bank limit remains utilized at 57 percent over six months ended on December, 2020. The company has neither availed any loan moratorium nor has availed a covid loan. Acuite believes that the liquidity of the company will improve supported by increase in accruals in the medium term.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to further deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	45.33	52.61
PAT	Rs. Cr.	(1.70)	0.05
PAT Margin	(%)	(3.75)	0.09
Total Debt/Tangible Net Worth	Times	0.75	2.11
PBDIT/Interest	Times	(0.45)	1.13

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

None

Any other information

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
08-July-2020	Cash Credit	Long Term	1.20	ACUITE B+ (Downgraded and Indicative)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Indicative)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Indicative)
30-April-2019	Cash Credit	Long Term	1.20	ACUITE BB- (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Reaffirmed)

21-Nov-2018	Cash Credit	Long Term	1.20	ACUITE BB- /Stable (Indicative)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Indicative)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Indicative)

***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 Available	Not Applicable	Not Available	1.20	ACUITE B+/ Stable (Reaffirmed)
Letter of Credit	Not Available	Not Applicable	Not Available	7.50	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Available	Not Applicable	Not Available	0.05	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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