

Press Release

Lalwani Metalics Private Limited

August 08, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.20	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	7.55	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	8.75	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 Metalics Private Limited (LMPL). The outlook is '**Stable**'.

The ratings reaffirmed continue to be supported by the experienced management and establish track record of operations. The rating is, albeit, constrained by its below average financial risk profile, working capital intensive operations and intense competition and inherent cyclicality in the steel industry.

About the Company

Incorporated in 1994, Lalwani Metalics 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.

Weaknesses

- **Below average Financial risk profile**

The company's below average financial risk profile is marked by low net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs.5.14 Cr and Rs.4.13 Cr as on March 31, 2022(Prov.) and 2021 respectively. The gearing of the company stood at 0.01 times as on March 31, 2022(Prov.) against 0.33 times as on March 31, 2021. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 5.63 times and 5.63 times as on March 31, 2022(Prov.) respectively as against 2.14 times and 2.14 times as on March 31, 2021 respectively. TOL/TNW stood at 1.37 times and 1.95 times as on March 31, 2022(Prov.) and 2021 respectively. The debt to EBITDA of the company stood at 0.02 times as on March 31, 2022(Prov.) as against 2.11 times as on March 31, 2021. Acuité believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

- **Working capital intensive operations**

The working capital management of the company remained moderate with GCA days at 134 days as on March 31, 2022(Prov.) as against 138 days as on March 31, 2021. Inventory days stood at 20 days as on March 31, 2022(Prov.) as against 26 days as on March 31, 2021. Subsequently, the payable period stood at 78 days as on March 31, 2022(Prov.) as against 81 days as on March 31, 2021 respectively. The debtors day stood at 96 days as on March 31, 2022(Prov.) as against 103 days as on March 31, 2021. Further, the average bank limit utilization in the last nine months ended June, 22 remained at ~11 percent for fund based and 38 percent for non-fund based. Acuité believes that the operations of the LMPL will remain working capital intensive over 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 Sensitivities

- Improvement in profitability parameters
- Deterioration in capital structure

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs. 1.02Cr in FY2022(Prov.) However there are no major debt repayments during the previous financial year. The company has neither availed any loan moratorium nor has availed a covid loan. Unencumbered cash and bank balances stood at Rs. 0.50 Cr as on March 31, 2022(Prov.). The current ratio of the company stood at 1.69 times as on March 31, 2022(Prov.). However, the fund based bank limits utilization of LMPL is 11 percent for fund based and for 38 percent for non- fund based for the past nine months ending June 2022. Acuité believes that the liquidity of the company will improve supported by increase in accruals in the medium term.

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	32.57	29.24
PAT	Rs. Cr.	1.02	0.34
PAT Margin	(%)	3.12	1.16
Total Debt/Tangible Net Worth	Times	0.01	0.33
PBDIT/Interest	Times	5.63	2.14

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Jul 2022	Letter of Credit	Short Term	7.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	1.20	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Issuer not co-operating*)
26 Feb 2021	Letter of Credit	Short Term	7.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.20	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Reaffirmed)
08 Jul 2020	Letter of Credit	Short Term	7.50	ACUITE A4 (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	1.20	ACUITE B+ (Downgraded and Issuer not co-operating*)
30 Apr 2019	Bank Guarantee	Short Term	0.05	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.20	ACUITE BB- Stable (Reaffirmed)
21 Nov	Cash Credit	Long Term	1.20	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Issuer not co-operating*)

2018	Letter of Credit	Short Term	7.50	ACUITE A4 (Issuer not co-operating*)
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 (Downgraded from ACUITE BB Stable)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee	Short Term	0.05	ACUITE A4 (Downgraded from ACUITE A4+)
03 Mar 2015	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)
18 Feb 2014	Cash Credit	Long Term	1.20	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term		
	Bank Guarantee	Term	0.05	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE A4 Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE B+ Stable Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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