

Press Release

LAXMI EXPORTS

13 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 9.50 crore bank facilities of LAXMI EXPORTS. The outlook is '**Stable**'.

The Surat-based Laxmi Exports established in 2005 by Mrs. Simi Batra procures polyester, blended polyester viscose, polyester cotton yarn and gets it converted to grey fabric, dyed finished fabric. This is exported to Dubai, Iran, Iraq, Morocco, Africa among other countries. The day-to-day operations are led by Mr. Subir Batra and Mr. Sameer Batra.

Key Rating Drivers

Strengths

- **Extensive experience of the management, reputed clientele**

The firm is led by Mr. Sameer Batra and Mr. Sabir Batra who possess extensive experience in the industry. The firm has long term relations with customers and suppliers.

- **Location advantage**

Since the manufacturing facility is located at Surat, the firm enjoys locational advantage, easy availability of inputs (yarn and grey fabric). Further, the firm also benefits from easy availability of skilled manpower and job work facilities.

- **Modest scale of operations**

The scale of operations is modest with operating revenue of Rs 52.90 crore in FY2017 as compared to Rs. 58.04 crore in FY2016. Further, the firm registered revenue of Rs 46.00 crore for the period April, 2017-January 2018. It expects to register operating revenue of Rs 55.00 crore in FY2018.

Weaknesses

- **Weak financial risk profile**

The financial risk profile is marked by low net worth of Rs 5.68 crore as on 31 March, 2017 as compared to Rs 5.64 crore as on 31 March, 2016. The gearing has been moderate at 2.48 times in FY2017 compared to 2.20 times in FY2016. The total debt constitutes Rs 14.08 crore with Rs 4.24 crore of unsecured loans from directors, Rs 0.35 crore of long term loans and Rs 9.49 crore of short term borrowings as on 31 March, 2017. The Interest Coverage Ratio has been moderate at 1.26 times for FY2017 as against 1.36 times for FY2016.

- **Working capital intensive operations in nature**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 289 days in FY2017 as against 269 days in FY2016. This is mainly on account of high debtors and creditors of 163 days and 224 days in FY2017 respectively.

- **Fragmented and competitive nature of industry**

The firm faces intense competition due to the fragmented nature of the textile industry, low entry barriers and availability of close substitutes.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Laxmi Exports to arrive at the rating.

Outlook: Stable

SMERA believes that Laxmi Exports will maintain a 'Stable' outlook over the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.90	58.04	50.55
EBITDA	Rs. Cr.	1.43	1.30	1.11
PAT	Rs. Cr.	0.28	0.33	0.28
EBITDA Margin	(%)	2.71	2.23	2.19
PAT Margin	(%)	0.53	0.56	0.56
ROCE	(%)	7.64	7.96	15.07
Total Debt/Tangible Net Worth	Times	2.48	2.22	3.61
PBDIT/Interest	Times	1.26	1.36	1.37
Total Debt/PBDIT	Times	9.56	9.30	10.09
Gross Current Assets (Days)	Days	289	270	360

Any other information

Not Applicable

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)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Rating Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Swati Banthia, Rating Analyst, Tel: +91-22-6714 1135 Email: swati.banthia@smera.in	

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