



RATING RATIONALE

19 Nov 2019

LKP Finance Limited

Brickwork Ratings downgrades ratings for the Bank Loan facilities of Rs 125 Crores of LKP Finance Limited

Particulars

Facilities	Previous Amount (Rs. Crs.)	Present Amount (Rs. Crs)	Tenure	Previous Rating	Present Rating*
Fund Based	125	125	Long Term	BWR BBB Stable	BWR BBB- (Stable) (Downgraded)
	125	125	INR One Hundred Twenty Five Crores Only/-		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) downgrades the rating to BWR BBB- (Stable) from BWR BBB (Stable) for bank loan facilities amounting to Rs.125 Crores of LKP Finance Limited. The rating is downgraded on account of continued weak performance in H1FY20 post a weak performance in FY19 in terms of revenue generation and operating profits. The rating is also constrained by income volatility due to dependence on trading of shares and debt market securities. Rating continues to factor in the experience of the promoters supported by qualified management and moderate net worth.

The 'Stable' outlook indicates a low likelihood of a rating change over the medium term. BWR believes that LKP Finance Limited's business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Experience of promoters supported by qualified management: The promoters of the group carry a vast experience of the industry. The management has qualified professionals with vast experience in their respective fields. Mr. Mahendra V Doshi is the promoter of the company supported by independent directors and experience Chief Finance Officer. Mr. S S Gulati is a Chartered Accountant having more than 10 year of experience in the industry.



Moderate net worth: LKP has stable financial ratio as on 31st March 2019 including networth of Rs. 163.96 Crs, gearing of 0.22 times and interest coverage 11.39 times. During H1FY20, company has reported total operating income of Rs 8.24 Crs as against Rs. 8.75 Crs during H1FY19. Company has Rs 49.57 Crs of borrowings as on 30 Sep 2019.

Credit Risks:

Continued weak performance in H1FY20 post weak performance in FY19: Company has reported a decline in total operating income and losses at the OPBT level largely due to proposed stake sale process, which was not successful at the end due to financial constraints of the acquirer. Hence, the said agreement became void. In addition, due to weak market conditions and sentiment, the business did not pick up during H1FY20 and the same has affected revenue generation and operating profit of the company.

Income volatility due to dependence on trading of shares and debt market securities: Company currently deals with trading of shares and debt market securities. Due to the trading nature of the business, the volatility in the income generation is high.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

During FY19 share purchase agreement could not be concluded due to which the operating income and profitability have declined. Growth in business and profitability with stable business performance will be rating sensitive and monitorable.

Positive: A substantial growth in overall performance of the company along with a demonstrated income generation and profitability shall be rating positive.

Negative: Continued decline in income and profitability may lead to rating downgrade.

LIQUIDITY INDICATORS: ADEQUATE

The networth of the company stood at Rs 163.96 Crs. Further, LKP has current investment of Rs 124.18 Crs and a major portion of the bank loan facilities of Rs 125 Crs is unutilized.

COMPANY PROFILE

LKP Group was established in 1948, headquartered at Mumbai, Maharashtra by Mr. L K Panday, Mr. C P Mehta and Mr. Mahendra V Doshi. It was originally incorporated as Elkaypee Merchant Financing in May 1984 and subsequently it was converted into a public limited company in February 1986. It was listed on BSE in 1994. Further in 2008, the company's name was changed to LKP Finance Limited. The company is a Non-Banking Financial Company

(NBFC) registered with the Reserve Bank of India and engaged in the business of finance and trading in shares and securities, derivatives etc.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY2018	FY2019	H1FY20
Result Type		Audited	Audited	BSE Published
Total Operating Income	Rs in Crs	76.32	12.78	8.24
OPBDIT	Rs in Crs	23.64	0.34	4.78
PAT	Rs in Crs	19.71	24.10	3.12
Networth	Rs in Crs	145.62	163.96	172.69
D:E	Times	0.28	0.22	0.29
Current Ratio	Times	2.23	4.42	-

RATING HISTORY FOR THE PREVIOUS THREE YEARS

Instrument	Current Rating (2019)			Rating History		
	Tenure	Amount (Rs. Crs.)	Rating	29 Oct 18	26 Jul 17	31 Mar 16
Fund Based	Long Term	125	BWR BBB- (Stable)	BWR BBB (Stable)	BWR BBB (Stable)	BWR BBB (Stable)
Total		125	Rs One Hundred Twenty Five Crores Only/-			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institutions](#)

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ANNEXURE I
Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	Federal Bank	Cash Credit	25.00	0.00	25.00
2	Bank of India	Cash Credit / Overdraft	100.00	0.00	100.00
Total Rupees One Hundred Twenty Five Crores only					125.00

For print and digital media

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