



RATING RATIONALE

29 October 2021

LKP Finance Limited

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities Rs.125 Crs. of LKP Finance Limited

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2020)	Present
Fund Based	125.00	125.00	Long Term	BWR BBB-Stable	BWR BBB/Stable (Upgraded)
Total	125.00	125.00	Rs. One Hundred Twenty-Five Crs. Only/-		

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

** Details of Bank Loan Facilities/NCD/Bonds/Commercial Paper are provided in Annexure-I&II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) upgrades the rating to BWR BBB/Stable from BWR BBB-(Stable) for the bank loan facilities amounting to Rs.125 Crs of LKP Finance Limited (LKPFL or the company). The rating upgrade necessarily factors in the improvement in financial performance of the company during FY21 and H1/FY22, apart from the experienced promoters and management team, comfortable capital position with a low gearing. However, the rating is constrained by earnings volatility due to high revenue dependence on trading in equity and debt market securities.

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

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

KEY RATING DRIVERS

Credit Strengths:-

- **Improved financial performance:** The company's financial risk profile during FY21 and H1FY22, improved substantially over its previous period. As of 31 March 2021, the company's investment book of Rs.302 Crs generated improved income and profits for the company. The company's networth of Rs.255 Crs had a gearing of 0.2x. As of 30 September 2021, the company's investment book of Rs.302 Crs further enhanced the income and profits for the company. The company's networth of Rs.302 Crs had a gearing of 0.4x. Dependence on the market movement continues to remain a rating monitorable for the company's earnings while the company's management's ability to maintain a stable investment pool and/ or churning of its investment book to generate adequate earnings and profits will remain the key strengths for the company



- **Experienced promoters and management team:** The group's promoters have vast experience in the industry. The company's management consists of experienced professionals with a long track record in the financial services space. The company's Chairman and Executive Director Mr. Mahendra V Doshi is the promoter. He is supported by an experienced board of directors and a professional management team. Chief Finance Officer Mr. S S Gulati, is a chartered accountant with more than 10 years of experience in the industry.
- **Comfortable capital position and low gearing:** As on 30 September 2021, the company's networth stood at Rs. 302.35 Crs, compared with Rs 255.26 Crs as on 31 March 2021. LKPFL has maintained its gearing ratio below 1 time in recent years. As on 30 September 2020, the company's gearing ratio stood at 0.43 times, against 0.18 times as on 31 March 2021. As of end-H1FY21, the company's total borrowing stood at Rs. 130.35 Crs, the same being at Rs. 45.78 Crs as of end-FY21. BWR believes the company's capital position is sufficient to pursue growth and also cover for any asset-side risks over the medium term.

Credit Risks:-

- **Fluctuation in revenue generation and profitability in the last couple of years:-** Due to high dependency on the trading of shares and debt market securities, the company has observed volatility in its earnings profile. The company had an investment book of Rs.304.37 Crs as on 30 September 2021, which mainly consisted of equity shares to the tune of 55.87% and balance of debt securities and other investments at 44.13%.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Positive: A significant improvement in the financial risk profile, including a substantial increase in revenue and profitability, while maintaining gearing, will be rating positives.

Negative: A significant deterioration in business volumes, or the earnings and capital profile, will be rating negatives.

LIQUIDITY INDICATORS: ADEQUATE

As on 30 September 2021, the company had liquidity of Rs. 315.77 Crs, i.e., free stocks/investments of Rs 304.37 Crs, and cash & cash equivalents, bank balance of Rs. 11.40 Crs against no stipulated debt obligation between 1 November 2021 to 31 March 2022. The company also has undisbursed sanctions of over Rs. 100.00 Crs as on date.

COMPANY PROFILE

LKP Group, headquartered at Mumbai, Maharashtra, was established in 1984, 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 the BSE in 1994. 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 is engaged in the business of finance, and trading in shares and securities, and derivatives, among others.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Total Income	Rs in Crs	19.44	97.13
Profit After Tax	Rs in Crs	(22.69)	60.74
Networth	Rs in Crs	146.30	255.26
Debt: Network	Times	0.25	0.18

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (Year T - 2021)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating	Date(s)& Rating(S) assigned in year T-1 (2020)	Date(s) & Rating(s) assigned in Year T-2 (2019)	Dates(s) & Rating(s) assigned in Year T-3 (2018)
1	Fund Based	Long Term	125.00	BWR BBB (Stable) (Upgraded)	BWR BBB- (Stable) (Reaffirmed) (30-Oct-20)	BWR BBB- (Stable) (Downgraded) (19-Nov-19)	BWR BBB (Stable) (Reaffirmed) (29-Oct-18)
	Total		125.00	Rupees One Hundred Twenty Five Crores Only/-			

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan: Simple

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)

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LKP Finance Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

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

ANNEXURE II

INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS: NA

ANNEXURE III

List of entities consolidated: NA



For print and digital media

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