



## Rating Rationale

### Lakshay Industries

4 Jan 2018

Brickwork Ratings assigns the ratings for the bank loan facilities of ₹.5.76 Crores of Lakshay Industries.

#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	5.50	Long Term	BWR B Outlook Stable (Pronounced as BWR Single B)
Term Loan (o/s)	0.26		
<b>Total</b>	<b>5.76</b>	<b>INR Five Crores and Seventy Six Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Long Term Rating assigned BWR B (Stable outlook) for the long term bank facilities**

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

While reviewing the rating of **Lakshay Industries** (LI or 'the firm'), a Jaipur based firm, which is engaged in processing of pulses and *besan*, BWR has factored in the partners' business experience, small scale of operations, besides improved solvency position, profit margins, net worth and debt protection metrics. The ratings are, however, constrained by very low profitability margins, high gearing ratio and very low capital base.

#### Description of Key Rating Drivers

##### Credit Weaknesses:

- **Gearing Level (TOL/TNW ratio):** The firm's TOL/TNW ratio is high at 4.80x in FY17 owing to very low partners' capital.
- **Debt Protection Metrics:** The firm's interest service coverage ratio (ISCR) is 1.05x and debt service coverage ratio (DSCR) is 0.60x in FY17 owing to negative operating profits before taxes (OPBT).
- **Very low profitability margins:** The firm's operating profit margin (OPM) is 4.50% and Net Profit margin (NPM) is 0.79% owing to high interest cost.



- **Presence in a highly fragmented sector with low entry barriers and high competition:** The sector is highly competitive, comprising a large number of players in the unorganized segment owing to low entry barriers.
- **Low scale of operations:** Small scale of operations of the firm over the years , sales is marginally increased in Fy17 to Rs.27.64Cr from Rs.27.50Cr in FY16 coupled with very low capital base of Rs.1.54Cr

#### **Credit Strengths:**

- **Promoter's experience:** The firm is managed by Mr. Neeraj Aggarwal, who has more than a decade of business experience.

#### **Analytical Approach**

BWR has factored in the standalone business parameters and financial risk profile of the firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

#### **Rating Outlook: Stable**

BWR believes the *Lakshay Industries'* business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

#### **About the Firm**

Jaipur based Lakshay Industries was set up as proprietorship concern in Jan 2009. It is engaged in running Besan and Dal mill with an installed capacity of 60 TPD. Major raw material is *matar* (peas) which is procured from Mumbai based traders. It supplies largely to dealers and wholesalers based in UP, Rajasthan and MP. Its mill is located at RIICO Industrial Area, Sharna Doongar, Jaipur, Rajasthan

#### **Financial Performance**

Total operating income (TOI) has improved from Rs.27.50. Cr in FY16 to Rs 27.64 Cr in FY17. However, PAT remained steady at Rs.0.22Cr in FY16 and FY17.

**Brief financial data is tabulated below:-**



Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Rs. Crores	27.50	27.64
EBIDTA	Rs. Crores	0.88	1.24
PAT	Rs. Crores	0.22	0.22
Partner's Capital	Rs. Crores	1.49	1.54
TOL : TNW	Times	4.36	4.80
Current Ratio	Times	1.40	1.53

#### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (FY2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY2017	FY2016	FY2015
	<b>Fund Based Cash Credit Term Loan (o/s)</b>	Long Term	5.50 0.26	<b>BWR B Outlook Stable</b>	NA	NA	NA
	<b>Total</b>		<b>5.76</b>	<b>₹ Five Crores and Seventy Six Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-No

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)



- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**



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