



Rating Rationale

Lakshmi Cot-Gin Pvt Ltd

29 March 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Lakshmi Cot-Gin Pvt Ltd. ('LCPL' or 'The Company')

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	22.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook:Stable)
Total	22.00	(Rupees Twenty Two Crores Only)	

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

Rationale/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results of FY15, FY16 & FY17, projections for FY18 & FY19, publicly available information and clarifications/information provided by the Management.

The rating draws strength from vast experience of the promoters and comfortable liquidity position. The rating also takes into account the locational advantage of the company, by virtue of its location in the cotton-producing belts of Gujarat. The ratings are however, constrained by low profitability, High gearing, weak debt servicing indicators and relatively low net worth of the company. The rating also considers the vulnerability of the company's profitability to the adverse movements in raw cotton prices (governed by international factors) as well as domestic agro climatic conditions and high degree of competition and fragmentation exert pressure on margins.

The ability of the Company to achieve the projected growth, to improve the profitability, to improve the gearing, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Key Rating Drivers:

Credit Strengths:

- The vast experience of the promoters in the cotton industry.
- Liquidity position is comfortable as the current ratio is at 1.50 times in FY17.
- The locational advantage of the Company, by virtue of its location in the cotton-producing belts of Gujarat.

Credit Risks:

- OPM and NPM continues to be low and are at 1.81 and 0.09 times respectively in FY17.

- The gearing is on higher side with Total Debt/TNW at 10.03 times and TOL/TNW at 7.12 times in FY17.
- Weak ISCR and DSCR at 1.01 and 1.14 times respectively in FY17.
- Relatively low net worth of the company.
- High degree of competition and fragmentation exert pressure on margins.
- The vulnerability of the Company's profitability to the adverse movements in raw cotton prices (governed by international factors) as well as domestic agro climatic conditions.

Analytical Approach:

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Lakshmi Cot-Gin Pvt Ltd's** 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 Company:

Lakshmi Cot-Gin Private Limited (LCPL) was established in 2006 as a closely held private limited company with its registered office and manufacturing facility at Gondal in Rajkot district of Gujarat. The Company is engaged in the business of ginning and pressing of raw cotton. The Unit is equipped with 40 ginning machines and 1 fully automated pressing machine with total production capacity of ~385 cotton bales per day. The company also trades in raw cotton, cotton bales and cotton seeds. The Company is managed by members of Lotiya family.

Company Financial Performance:

Key Financial Figures			
Particulars	Unit	FY17 (Audited)	FY16 (Audited)
Operating Income	Rs. Crores	102.64	116.40
EBITDA	Rs. Crores	1.85	2.05
PAT	Rs. Crores	0.10	0.09
Tangible Net Worth	Rs. Crores	2.11	2.01
Total Debt	Rs. Crores	21.15	24.12
Total Debt : Equity	Times	10.03	11.98
Current Ratio	Times	1.50	1.46

During the current financial year, the company has achieved a sale of Rs. 104.11 Crs till 28.02.2018 (Provisional).

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	22.00	BWR B+ (Pronounced as BWR Single B Plus) (Outlook:Stable)	--	--	--
Total : Rs. 22.00 Crs (Rupees Twenty Two Crores Only)							

Status of non cooperation with Previous CRA :

ICRA vide its press release dated 27.02.2018 informed about the Update on reason for delay in periodic surveillance as “Reason for delay in carrying out periodic review - Issuer not cooperating”

Any other information: Non Applicable

Lakshmi Cot-Gin Pvt Ltd

Bank Facilities

Annexure - I

Name of the Bank	Facilities	Tenure	Amount (₹ Cr)
Corporation Bank	Cash Credit	Long Term	22.00
Corporation Bank	Sub limit of CC : FDBN (Post Shipment Credit)		(5.00)
Total			22.00

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)



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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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