Press Release

Lords Mark Industries Private Limited

May 28, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	149.25 (Enhanced from Rs. 94.70 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB/Stable [IVR Triple B with Stable Outlook]	Upgraded/ Assigned	Simple
Short Term Bank Facilities	5.00	IVR A3 (IVR A Three)	IVR A3+ [IVR A Three Plus]	Upgraded	Simple
Total	**154.25**		**[Rupees one hundred fifty-four crore and twenty five lakh only]**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long-term rating to IVR BBB with a Stable Outlook and short-term rating to IVR A3+ for the bank loan facilities of Lords Mark Industries Private Limited (LMIPL). Further IVR has assigned the rating as IVR BBB with a stable outlook to the enhanced bank facilities of Lords Mark Industries Private Limited.

The ratings upgrade on account of improvement in the financial risk profile of the company, besides rating continues to draw comfort from long track record of operations with experienced promoters & diversified business profile coupled with a healthy order book position which provides short to medium revenue visibility, comfortable capital structure and healthy debt protection metrics. However, these strengths are partially offset by elongated operating cycle and intense competition. The rating further continues to remain constrained by exposure to risk related to tender based business and inherent risk related to high regulations of pharma industry & cyclicality in the paper industry.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes Lords Mark Industries Private Limited's business risk profile will be maintained over the medium term.

IVR has principally relied on the standalone audited financial results up to FY23, FY24 provisional financial and projected financials for FY2025, FY2026 and FY2027.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the operating cycle and further improvement in capital structure & debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Any significant rise in working capital intensity or unplanned capex leads to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Long track record of operations under experienced promoters**

The company has a long track record of the operations since 1998. Key promoters of the company, viz. Mr. Sachidanand H. Upadhyay and Mr. Vijay Borkar have more than two decades of experience in the same line of business which helped the company to establish long term relationships with suppliers and customers over the years, besides their experience helped into diversify the company product portfolio.

- **Diversified Business Profile with Healthy Order Book Position**

The company has three diversified business divisions i.e. Paper Products, Solar LED and Pharma Division. The company supplies paper to railways, postal store depots of India Post, LIC etc. Under this division the company reported revenue of ~Rs. 74.90 crore in FY24 provisional and has current o/s order book of Rs. 74.22 Crore which is expected to be executed in FY25. Further, in LED and Solar Division company is involved in execution of government contracts mainly for Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA), Punjab Energy Development Agency, Assam Power Distribution Company Ltd. etc. The revenue generated from this division was ~Rs.172.22 crore in FY24 provisional and has current o/s order book of Rs. 1587.19 Crore out of which orders of Rs. 172.21 Crore was executed in FY24 provisional and the remaining orders amounting to ~Rs. 1415 Crore expected to be executed in the coming five financial years (FYs) which provides medium term revenue visibility from this segment. The company is also associated itself with Cipla Healthcare Ltd for selling its OTC products in government sector PAN India and has current o/s order book of Rs. 56.45 Crore.

- **Improved capital structure with healthy debt protection metrics**

The overall gearing based on TNW was high at 3.59x as on March 31, 2023 (PY:3.88x) which has now improved to 1.94x as on March 31,2024 provisional due to equity infusion of ~Rs. 28.00 crore. Additionally, the money of consortium partners in the form of unsecured loans further improves the Overall gearing based on Adjusted TNW which stood at 0.98x in FY24 provisional as against 1.46x in FY23. Total indebtedness remained comfortable as reflected by TOL/ATNW of 1.07x in FY24 provisional as against 1.64x in FY23. The debt protection metrics is comfortable marked by interest service coverage ratio at 1.97x in FY24 provisional (PY: 1.99x) and DSCR at 1.53x in FY24 provisional (PY:1.50x).

B. Key Rating Weaknesses

- **Elongated operating cycle, though improved in last 2FYs.**

The company's operating cycle stood elongated but improved to 171 days in FY24 provisional as against 176 days in FY23, which was earlier 186 days in FY22. The improvement in FY24 provisional was on account of a decrease in the average inventory period from 103 days in FY23 to 82 days in FY24 provisional. Further, the average collection period has shown a declining trend i.e 230 days in FY22 to 118 days in FY23 to 98 days in FY24 provisional on account of improvement in realization of bills from government authorities. Counter parties are majorly government organizations, leading to low counterparty risk.

- **Intense competition and exposure to risk related to tender based business.**

Company is into the business of continuous paper, and into LED and solar systems. The majority of the revenue is derived from successful bidding of tenders. Hence, the company will remain vulnerable to the tender-based nature of operations. There is high pressure on the margins also due to intense competition from established players in the LED, Solar and Paper segment.

- **Cyclicality in the paper industry and highly regulated pharma industry.**

The paper industry is highly fragmented with several organised and unorganised players. The level of fragmentation is even higher in the industrial paper segment where unorganized players hold most of the market share. One of the major revenue segments of the company is MedTech, which is highly regulated and requires a lot of approval and licenses. Therefore, further expansion of the pharma division depends upon the company getting required licenses & approval on time.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of LMIPL is expected to remain adequate, marked by its expected satisfactory cash accrual in the range of ~Rs.20.00-40.00 crore for the next three years as against debt repayment obligation in the range of ~Rs.6.00-8.00 crore. The current ratio of the company remained healthy at 1.91x as on March 31, 2024 provisional. However, the average cash credit utilization of the company remained high at ~91% during the past 12 months ended April'24 but the same is mitigated to an extent on account of adequate cash accruals. The company has free cash & cash equivalent of Rs 17.54 Crore at the end of March,2024 provisional.

About the Company

Lord's Mark Industries Private Limited (LMIPL) was incorporated on 1st July, 1998 with a registered office in Mumbai. The company is engaged in the processing of continuous printed stationery, copier paper slitting, manufacturing of LED items, designing and installation of solar lights through EPC and it is also in pharma industry where it does contract manufacturing and distribution of OTC products for Brands like Cipla, Abbott, Dr Reddy etc along with the production of generic drugs & surgical products.

Financials (Standalone): **(Rs. Crore)**

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	213.02	301.08
EBITDA	12.79	22.53
PAT	4.29	5.68
Total Debt	85.35	126.63
Adjusted Tangible Net Worth	70.07	86.73
Ratios		
EBITDA Margin (%)	6.00	7.48
PAT Margin (%)	2.00	1.88
Overall Gearing Ratio (x)	1.22	1.46

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA:

- CARE Ratings vide its press release dated March 26, 2024 has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.
- ACUITE Ratings vide its press release dated January 22, 2024 has continued the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (March 31,2023)	Date(s) & Rating(s) assigned in 2021-22 (March 11,2022)
1.	Fund Based Facilities	Long Term	149.25	IVR BBB/ Stable	-	IVR BBB-/ Stable	IVR BBB- / Stable
2.	Non Fund Based Facilities	Short Term	5.00	IVR A3+	-	IVR A3	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Vipin Jindal
Tel: (011) 45579024
Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an ‘as is where is’ basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to

buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	21.53	IVR BBB/ Stable
GECL	-	-	-	6.77	IVR BBB/ Stable
CC	-	-	-	119.70	IVR BBB/ Stable
Letter of Credit	-	-	-	5.00	IVR A3+
Proposed Long term bank facilities	-	-	-	1.25	IVR BBB/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-LordsMark-may24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.