



Press Release

Lord's Mark Industries Private Limited

Jan 29, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	46.25	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)	Assigned
2.	Short Term Bank Facilities	(14.25)*	IVR A3 (Credit watch with developing implication) (IVR A Three with Credit Watch with Developing Implication)	Assigned
	Total	46.25		

*Short term facilities are the sub limit of long term bank facilities.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Lord's Mark Industries Private Limited comfort from its experienced promoters and long track record of operations. The rating also factor its diversified business risk profile with healthy order book position indicating near to medium term revenue visibility and comfortable capital structure with healthy debt protection metrics. However, these rating strengths are partially offset by elongated operating, intense competition and exposure to risk related to tender based business.

Key Rating Sensitivities:

Upward Factor:

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



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Downward factor:

- ✓ Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing to more than 1.50 times
- ✓ Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.
- ✓ Stretch in working capital cycle impacting the liquidity
- ✓ Withdrawal of unsecured loans from Sainik Industries Ltd. & Padamchand Jain Co amounting to Rs.42.93 Crores

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced promoters

LM IPL was incorporated in 1998 by Mr. Sachidanand H. Upadhyay who is also the Director of the company. Initially the promoter started the business as a paper trader. In 2006, Company diversified its business into slitting the paper reels into copier sheet. In the same year the company got registered with DGS&D which is a central government procurement agency for all central government indenters such as railways, postal stores depot, defence organization and various other agencies of central government. Company has been an “A” grade vendor and Green Channel Partner with DGS&D.

Further the company entered into LED Bulb business in 2015-16 and took a leap to manufacture LED Products and Solar based LED Products. Company was selected one of 3 SMEs and 13 Corporates for supply of solar LED lighting system. Thus LED division as different vertical came into existence. Recently in the current year, Company further diversified its business into Pharma division and has been appointed as the official channel partner for Cipla Healthcare Ltd for selling its OTC products in government sector Pan India. Mr. Sachidanand H. Upadhyay has more than two decades of experience across different business verticals. Mr. Dines Tiwari who is another director of the company and has experience of almost 18 years in production and quality management.



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Diversified Business Profile with Healthy Order Book Position

Company has three diversified business divisions i.e. Paper Products, Solar LED and Pharma Division. Company supplies paper to railways, postal store depots of India Post, LIC etc. Under this division company reported revenue of ~Rs.99.25 crore in FY20. 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.129.22 crore. Company has associated itself with Cipla Healthcare Ltd for selling its OTC products in government sector Pan India. Further it has a strong unexecuted order book position w.r.t Solar and LED Division amounting to ~Rs.892 crore which is to be executed in next 2-3 years.

Comfortable capital structure with healthy debt protection metrics

The overall gearing of the company stood comfortable at 0.48x as on March 31, 2020. The Entity is having comfortable debt protection metrics i.e. ISCR & DSCR stood at 2.66x & 2.17x in FY20 as against 1.93x & 1.65x in FY19. The Networth stood healthy at Rs.67.64 crore in FY20 as against Rs.66.52 crore in FY19. This is mainly due to long term investment by Sainik Industries Private Limited. This investment is done on account of agreement made to execute projects to complete supply and installation of Solar LED products. Further, total indebtedness of the company as reflected by TOL/ANW remained comfortable at 1.82x as on March 31, 2020.

Key Rating Weaknesses

Elongated Operating Cycle

The operating cycle was 102 days in FY20 (FY19: 95 days), with receivables period of 183 days (FY19: 113 days), inventory period of 70 days (FY19: 62 days) and payable period of 151 days (FY19: 81 days). This is because of delay in realizations from the respective government departments mainly w.r.t. Solar & LED Division. The operating cycle is expected to remain elongated and in line with the past period. However the counter party is government so the counterparty risk is mitigated.



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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. 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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity profile of LMIPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.5.50-6.30 crore for the next three years as against debt repayment obligation in the range of ~Rs.2.00-2.80 crore. The current ratio of the company was comfortable at 1.46x as on March 31, 2020. However, the average cash credit utilisation of the company remained high at ~88% during the past 12 months ended October, 2020 indicating a limited liquidity cushion. But Company has adequate cash and cash equivalents amounting to Rs.6.21crore as on March 31, 2020. The Company has adequate gearing headroom for additional debt with an overall gearing of 0.48x as on March 31, 2020.

About the Entity

Lord's Mark Industries Pvt. Ltd. was incorporated two decades ago i.e. on 1st July 1998 with registered office in Mumbai. Company is engaged in manufacturing of continuous computer stationery and copier paper. Company is also involved into manufacturing of LED Products, Solar based LED Products and lithium battery. It is also involved in supply and installation of solar home lighting system, solar street lights and solar lantern for various government authorities i.e. Uttar Pradesh New and Renewable Energy Development Agency, Assam Power Distribution Company Limited and Punjab Energy Development Agency etc. The



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Company has recently entered into Pharma division and has been appointed as the official channel partner for Cipla Healthcare Ltd for selling its OTC products in government sector Pan India.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	234.21	230.48
EBITDA	10.91	10.30
PAT	3.59	3.61
Total Debt	78.55	75.17
Tangible Net worth	21.89	24.71
Adjusted Tangible Networkth	66.52	67.64
EBITDA Margin (%)	4.66	4.47
PAT Margin (%)	1.53	1.56
Overall Gearing Ratio (x) on Book TNW	3.59	3.04
Overall Gearing Ratio (x) on Net Adjusted TNW	0.51	0.48

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	CC/WCDL	Long Term	46.25	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)	-	-	-
2.	Bank Guarantee	Short Term	(9.25)*	IVR A3 (Credit watch with developing implication) (IVR	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
				A Three with Credit Watch with Developing Implication)			
3.	Letter of Credit	Short Term	(5.00)*	IVR A3 (Credit watch with developing implication) (IVR A Three with Credit Watch with Developing Implication)	-	-	-

*BG & LC is the sub limit of CC

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.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –CC/WCDL	-	-	-	46.25	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)
Short Term Bank Facilities –Bank Guarantee/Letter of Credit	-	-	-	(14.25)*	IVR A3 (Credit watch with developing implication) (IVR A Three with Credit Watch with Developing Implication)

**BG and LC is the sub limit of CC*