

Lamco Industries Pvt. Ltd.

Instrument	Amount	Rating Action
	In Rs. Crore	As on July 2015
Long Term Fund Based Limits	16.00	[ICRA]BB+ (Stable) reaffirmed
Long Term Non-Fund Based Limits	16.50	[ICRA]BB+ (Stable) reaffirmed
Long Term Unallocated Limits	0.25	[ICRA]BB+ (Stable) reaffirmed

ICRA has reaffirmed the [ICRA]BB+ (pronounced ICRA double B plus) rating assigned to Rs. 16.00 crore¹ long term fund based limits, Rs. 16.50 crore long term non-fund based limits and Rs. 0.25 crore unallocated limits of Lamco Industries Private Limited (LIPL)². The outlook on the long term rating is Stable.

The reaffirmation of the rating factors in LIPL's established track record in manufacturing surge arresters and instrument transformers; its favourable competitive positioning in the above 765 KV arresters segment and its proven execution capabilities as reflected in its past record of orders from state electricity boards utilities across the country; low customer concentration with sizeable portion of its sales to government agencies mitigates the counter party risk. The rating also positively takes into account the company's moderate capital structure characterized by moderate gearing of 0.77 times as on March 31, 2016. The rating however, remains constrained by the dip in operating margins during FY2016 owing to aggressive bidding by the company and high raw material costs, its moderate size of operations and the high dependency on surge arresters segment which contribute ~70-75% of total revenues during last 3 years. The rating also takes into account the high working capital intensity of 63% during FY2016 owing to higher order execution in the last quarter and delays from government agencies, and high inventory levels owing to longer execution period of around three to four months. The presence of large and established players along with low entry barriers in the insulators and instrument transformers segments results in high competition. LIPL also has high capex plans in FY2017, however the same is expected to be funded by way of internal accruals and unsecured loans.

Going further, LIPL's ability to increase its scale of operations, improve its profitability and effectively manage its working capital requirements will remain the key rating sensitivities.

Company Profile

Established in 1983, Lamco Industries Private Limited (LIPL) is a Hyderabad-based company which is promoted by Mr. Kondala Rao and Mr. S. Prasada Rao. LIPL started its business with manufacturing of lightning arresters and over a period of time expanded its product portfolio to include instrument transformers and insulators. LIPL's products are essentially used by various state power utilities and private companies in electrical and electronics sector. The company has an established manufacturing plant, design, research & development and testing facilities in an area of 10,800 sq. yards of existing set-up at Sanath Nagar in Hyderabad.

Recent Results

As per audited financials for FY15, LIPL reported an operating income of Rs. 71.50 crore with profit after tax of Rs. 1.80 crore and Rs. 74.39 crore of operating income with profit after tax of Rs. 2.02 crore for FY16 (unaudited and provisional).

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¹100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.



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