

## Lloyds Engineering Corporation Private Limited

December 31, 2024

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	43.75	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Short-term bank facilities	2.25	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Lloyds Engineering Corporation Private Limited (LECPL) to monitor the rating vide e-mail communications dated October 21, 2024, December 17, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, LECPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on LECPL's bank facilities will now be denoted as **CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING\***.

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the company, which is critical for assessing the credit risk profile of the company. The ratings assigned to the bank facilities of LECPL continue to remain constrained by its small scale of operations, risk of non-renewability of agreement, competition from other players and stretched operating cycle resulting into large working capital requirement. However, the ratings continue to drive strength from improved financial performance in FY24 (refers to the period April 01 to March 31) with satisfactory profit margin, satisfactory capital structure and debt protection metrices, extensive experience of the promoters with long track record of operations, reputed clientele base albeit client concentration risk.

### Analytical approach: Standalone

### Outlook: Stable

### Detailed description of key rating drivers:

At the time of last rating on December 29, 2023, the following were the rating strengths and weaknesses (updated for the information available from the company).

#### Key weaknesses

##### Small scale of operations

Although LECPL has a track record of more than two decades, the scale of operations continues to remain small despite increase in total operating income from Rs.62.20 crore in FY23 to Rs.82.11 crore in FY24. Small scale restricts financial flexibility at the time of stress.

##### Risk of non-renewability of agreement

In case of its major suppliers like Timken India Limited, A.L.B.A, Gradall etc., the company signs tenure-based agreement whereby the risk of renewal & resultant discontinuance of business lies. The agreement is normally valid for two years and is subject to renewal unless it is terminated due to breach/fraud by the company or it's going into liquidation thereby casting a shadow of uncertainty to their business. In some cases, there is no formal agreement entered into by the international company and LECPL making the company more vulnerable to the risks of non-continuance of contract.

##### Client concentration risk

Despite the fact that LECPL has a reputed and established customer base, the company is exposed to client concentration risk. The top five clients contributed around 79% of total revenue in FY23 as against 72% in FY22.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Stretched operating cycle resulting into large working capital requirement

The company supplies bearings, sockets, torch cutting machines, gear boxes, de-bricking machines, tap hole drilling machines etc. along with installation and commissioning at client sites. Since bearings and spare parts are critical to the end user industry to which it caters, it has to consistently maintain adequate inventory at sites of large clients to minimise lead time in order to avoid any production loss of client. The billing to such clients is done only after installation and commissioning which has resulted in high inventory period of the company. Furthermore, it maintains adequate inventory of imported goods for timely supply of its customers demand which also add to the high inventory levels. It also requires to extend credit to its clients for 2 to 3 months whereas it pays to its suppliers within a month. Accordingly, the requirement of working capital of the company remains high with high limit utilisation witnessed in past few months.

### Intense competition from other players

The company is into distributorship of bearings and related products and leasing of machineries which is highly competitive in nature. The company faces intense competition from various small players which inserts pressure on its profitability.

### Key strengths

#### Experienced promoters and long track record of operations

Mr. Gopal Sharma has an experience of around four decades in the field of auto-ancillary parts and bearings. A mechanical engineer by qualification, he has an experience of around two decades with Steel Authority of India (SAIL) where he worked before establishing the firm in 1989. In 1989, he established the firm for undertaking the distributorship of bearings, spare parts and lubricants. Earlier, the firm undertook distributorship of brands like FAG Bearings (Japan) and NSK Bearings. In early 1990's, LEC took up the distributorship of Timken and Rexnord. In March 2010, LEC was converted into a private limited company and Mr. Manish Sharma, son of Mr. Gopal Sharma, joined as a director. Mr. Manish Sharma has an experience of two decades and heads the sales department of LECPL. He joined the company in 1997 and is assisting his father, Mr. Gopal Sharma in the activities of the company.

#### Reputed clientele

LECPL has been associated with a number of reputed customers since its inception and has marked a remarkable presence as a supplier of bearings and spare parts. The client portfolio of LECPL includes reputed names like Tata Steel Limited (TSL; rated CARE AA+; Stable), Jindal Steel and Power Ltd. (rated CARE AA; Stable/A1+), Steel Authority of India (SAIL; rated CARE AA; Stable/A1+), JSW Steel Limited (rated CARE AA; Stable/A1+) among others. LECPL has been associated with SAIL since 1989 and with JSW Steel Limited and TSL since 2007.

#### Improved financial performance in FY24 along with satisfactory profit margins

The total operating income of the company witnessed y-o-y growth of around 32% in FY24 compared to FY23. The growth is on account of increase in trading sales as well as increase in revenue from service charges. PBILDT margin stood stable at 16.30% (FY23:16.02%). PAT margin also stood stable at 7.96% in FY24 (FY23: 7.43%). The company earned GCA of Rs.7.84 crore vis-à-vis debt repayment obligation of Rs.3.13 crore in FY24.

#### Satisfactory capital structure and debt protection metrics

The capital structure of the company continues to remain satisfactory marked by overall gearing ratio of 1.10x as on March 31, 2024 as against 0.90x as on March 31, 2023, the slight moderation was on account of increase in debt. Accordingly, TDGCA also slightly moderated from 4.73x as on March 31, 2023 to 5.16x as on March 31, 2024. The interest coverage ratio stood stable at 3.49x in FY24 (FY23: 3.68x).

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Kolkata based LECPL was established in 1989 as a proprietorship firm (M/s Lloyd Engineering Corporation - LEC) by Mr. Gopal Sharma. In March 2010, the firm was converted into a Private Limited Company with its current name. LECPL is engaged in distributorship of products manufactured by various international companies for bearings and sockets, torch cutting machines, de-bricking machines, tap hole drilling machines, railcar moving equipment and coupling bolt. Apart from supplying bearings and other products to its customers, LECPL also provides maintenance/servicing facilities which includes repairs, oiling and servicing of the products by the technicians of LECPL. In the year 2018, the company also forayed into renting of machines on lease. The company has earned a revenue from lease rental services of around 22% of total operating income in FY23 as against around 27% in FY22.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	62.20	82.11
PBILDT	9.96	13.39
PAT	4.62	6.53
Overall gearing (times)	0.90	1.10
Interest coverage (times)	3.68	3.49

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	23.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2027	20.75	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	2.25	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-Bank Guarantee	ST	2.25	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (29-Dec-23)	1)CARE A4; ISSUER NOT COOPERATING * (13-Dec-22)	1)CARE A4 (22-Sep-21)
2	Fund-based - LT-Cash Credit	LT	23.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (29-Dec-23)	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (13-Dec-22)	1)CARE BB+; Stable (22-Sep-21)
3	Fund-based - LT-Term Loan	LT	20.75	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (29-Dec-23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

### Contact us

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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