



Press Release

Lucid Colloids Limited

September 30, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	15.00	IVR BB+/Stable [^] (IVR Double B Plus with Stable Outlook)	Revised from IVR BB /Stable/IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)	Simple
Short Term Bank Facilities	61.50	IVR A4+ [^] (IVR A Four Plus)	Revised from IVR BB /Stable/IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)	Simple
Long Term/Short Term Bank Facilities	30.00	IVR BB+/Stable/IVR A4+ (IVR Double B Plus with Stable Outlook/ IVR A Four)	Revised from IVR BB/Stable/IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)	Simple
Total	106.50 (INR One Hundred Six Creore and Fifty Lakhs Only)			

[^]Reclassified

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Lucid Colloids Limited (LCL) considers improvement in the operating performance of the company in FY22 & in Q1FY23 leading to improvement in gross cash accruals coupled with its comfortable capital structure backed by its robust net worth base and adequate debt protection metrics. Further, the ratings continue to derive strength from extensive experience of the promoters and its reputed clientele. The ratings also positively note non-core asset monetisation plan of the company to pare down its debts going forward. However, these rating strengths continue to remain constrained on account of vulnerability of the company's profitability to adverse fluctuations in the guar seed prices along with exposure to industry inherent risks.

Key Rating Sensitivities



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Upward Rating Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Effective working capital management with improvement in operating cycle and liquidity
- Successful monetization of its non-core assets

Downward Rating Factor

- Decrease in scale of operations and/or decline in revenues and profitability on a sustained basis
- Deterioration in the capital structure with overall gearing deteriorated to above 1.5x and/or moderation in debt protection metrics.
- Any deterioration in liquidity profile on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Extensive experience of the promoters

The promoters have extensive experience in the guar gum industry. The company is currently managed by Mr. Uday Merchant having industry experience of over four decades. The long track record and vast experience of the promoters has helped the company to establish a healthy relationship with the customers and the suppliers. Extensive business experience of the promoters supports the business risk profile of the company to a large extent.

Reputed client base

The company has a reputed client base which includes industry leaders like Dupont Nutrition & Bioscience, Nestle, L'Oreal, Phillip Moris etc. A reputed client base reduces the counterparty risk to a large extent.

Improvement in operating performance in FY22 and in Q1FY23

“LCL” registered a y-o-y growth of ~31% in its total operating income in FY22 from Rs.136.81 crore in FY21(A) to Rs.176.29 crore in FY22(Prov.) driven by increase in the sales of its products, favourable market condition and climatic condition for Guar production. However, the EBITDA margin of the company has moderated from 14.55% in FY21(A) to 10.87% in FY22(Prov.) due to increase in raw material cost and other operating costs.



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Further, the PAT margin though witnessed an improvement on the back of rise in its non-operating income continues to remain negative in FY22 (Prov.). However, in FY22 the company has earned gross cash accruals of Rs.17.05 crore as against Rs.12.39 crore in FY21. In Q1FY23, the company has earned a revenue of ~Rs.64 crore with PBT of Rs.4.06 crore.

Comfortable capital structure with adequate debt protection parameters

The capital structure of the company continues to remain comfortable underpinned by its strong net worth base of Rs.262.95 crore as on March 31,2022 (Prov.). The debt equity ratio and overall gearing ratio stood comfortable at 0.30x and 0.49x respectively as on March 31,2022. Total indebtedness of the company also remained comfortable marked by TOL/TNW at 0.66x as on March 31, 2022. Further, the debt protection metrics as indicated by the interest coverage ratio stood at 2.00x in FY22 and Total debt/GCA at 7.68 years as on March 31, 2022. Further, the company is also trying to sale its non-core assets to reduce its debts.

Key Rating Weaknesses

Vulnerability of the company's profitability to adverse fluctuations in the guar seed prices

Guar seed production is susceptible to seasonality and crop harvest which may impact guar seed production and consequently may have adverse impact on profitability.

Exposed to industry risks and volatile prices of guar gum

Guar gum finds applications in varied industries such as oil & gas, food & beverages, mining & explosives, paper manufacturing, pharmaceuticals, cosmetics, etc. The industry is marred with challenges such a threat from a slowdown in the end-user industry and susceptibility to volatile raw material prices. Further, guar gum industry is highly fragmented and intensely competitive, limiting its pricing flexibility.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

[Criteria of assigning rating outlook](#)



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Liquidity Position: Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected satisfactory cash accruals as against its debt repayment obligation. Further, the company has adequate gearing headroom backed by its healthy capital structure.

About the Company

Incorporated in May 1996, Lucid Colloids Limited (LCL) is engaged in manufacturing and sale of guar gum and its derivatives. It is headquartered in Mumbai and its wholly owned overseas subsidiaries are located in U.S. and Europe. with agents and distributors in over twenty countries. LCL's manufacturing facilities are located in Rajasthan & Gujrat.

Financials (Standalone)

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	136.81	176.29
EBITDA	19.90	19.17
PAT	-10.96	-2.15
Total Debt	136.74	130.90
Tangible Net worth	267.27	265.19
EBITDA Margin (%)	14.55	10.87
PAT Margin (%)	-7.83	-1.17
Overall Gearing Ratio (x)	0.51	0.49

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)	Rating History for the past 3 years
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		Type	Amount outstanding (Rs. Crore)	Ratings*	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	15.00	IVR BB+/Stable	IVR BB /Stable/IVR A4	-	-
2.	PC/ PCFC cum FBP/FBD/FCBD	Short Term	55.00	IVR A4+	IVR BB /Stable/IVR A4	-	-
3.	Letter of Credit	Short Term	0.50	IVR A4+	IVR A4	-	-
4.	Bank Guarantee	Short Term	6.00	IVR A4+	IVR A4	-	-
5.	Proposed	Long Term/Short Term	30.00	IVR BB+/Stable/IVR A4+	-	-	-

**Earlier Cash Credit/WCDL/PC/Bill Discounting facility of Rs.70 crore was rated under Long term/Short term nature now reclassified. Presently Cash Credit is separately rated under long term nature and PC/ PCFC cum FBP/FBD/FCBD is rated under short term nature based on latest sanction letter of bank facilities.*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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



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For more information visit <https://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, suspend 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 Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
LT Fund Based Limits – Cash Credit	-	-	-	15.00	IVR BB+/Stable
ST Fund Based- PC/ PCFC cum FBP/FBD/FCBD	-	-	-	55.00	IVR A4+
ST Non Fund-based- Letter of Credit	-	-	-	0.50	IVR A4+
ST Non Fund-based- Bank Guarantee	-	-	-	6.00	IVR A4+
LT/ST Fund-based- Proposed	-	-	-	30.00	IVR BB+/Stable/IVR A4+

Annexure 2: Facility wise lender details: As Per attached Annexure

<https://www.infomerics.com/admin/prfiles/Len-Lucid-Colloids-sep22.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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 <https://www.infomerics.com>.