

Press Release

Laser Power & Infra Private Limited (LPIPL)

5 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.326 Cr
Long Term Rating	SMERA A-/Stable (Assigned)
Short Term Rating	SMERA A2+(Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA A-**' (read as **SMERA A Minus**) and short term rating of '**SMERA A2+**' (read as **SMERA A Two Plus**) on the Rs.326.00 crore bank facilities of Laser Power and Infra Private Limited (LPIPL). The outlook is '**Stable**'.

The Kolkata-based Laser Power and Infra Private Limited (LPIPL), incorporated in 1988 was promoted by Mr. Purushottam Dass Goel and family. The company, led by Mr Deepak Goel, Managing Director, manufactures power cables and conductors such as aerial bunched cables, XLPE insulated cables and aluminium conductors at Dhulagarh, West Bengal. The installed capacity stands at 2,63,000 kms for cables/conductors. From February 2015, the company has ventured into execution of power distribution projects (EPC Division). LPIPL is also registered with Research Design & Standard Organisation (RDSO) for supply of railway signalling and power cables to Indian Railways.

Key Rating Drivers

Strengths:

Experienced management and long track record of operations: The management of the company has around three decades of experience in the power transmission industry. The operations are led by Mr Goel. The extensive experience of the management has helped establish comfortable relations with suppliers and customers.

Robust financial risk profile: The robust financial risk profile is marked by strong capital structure, comfortable net worth and healthy debt protection metrics. The debt equity stood at 0.88 times in FY2017 (Provisional) as against 0.59 times in FY2016. The total debt of Rs 77 crore in FY2017 (Provisional) consists of Rs 16 crore of unsecured loan from promoters and relatives, Rs 60 crore of working capital limit and Rs 1 crore of term loan. For FY2016, the total debt of Rs 42.52 consists of Rs 20 crore of unsecured loan from promoters and relatives, Rs 18.53 crore of working capital limit and the balance of Rs 3.99 crore of term loan. The networth is comfortable at Rs 87.49 crore in FY2017 (Provisional) compared to 71.83 crore in FY2016.

The company has healthy debt protection metrics marked by strong interest coverage ratio of 2.74 times in FY2017 (Provisional) as against 2.34 times in FY2016. Moreover, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times and 0.27 times in FY2017 (Provisional) and FY2016 respectively. The Debt Service Coverage Ratio (DSCR) stood at 1.76 times in FY2017 (Provisional)

and 1.83 times in FY2016. SMERA believes that the financial risk profile of the company would be sustained over the medium term backed by steady growth and consistent accruals.

Reputed clientele: The company caters to National Thermal Power Corporation(NTPC), Power Grid Corporation of India Limited(PGCIL) and all state power utilities (Pan India). Some of the clients are Indian Railways, South Bihar Power Distribution Company Limited, Assam Power Distribution Company Ltd, L & T, Tata Projects and Bajaj Electricals Ltd.

Significant growth in revenue and improvement in margins YOY: The company registered 28 per cent growth in revenue in FY2016 to Rs 268.36 crore from Rs 209.58 crore in FY2015 at a CAGR of 34 per cent in the last four years ended FY2017. For FY2017 (Provisional), the company registered revenue of Rs 426.39 crore. From February 2015, LPIPL also ventured into execution of power distribution projects (EPC Division). In FY2016, the company earned around 85 per cent revenue from cables and balance from EPC division while in FY2017, around 70 per cent revenue was generated from cables and the balance from the EPC division. The operating margin increased to 9.45 per cent in FY2017 (Provisional) from 9.21 per cent in FY2016 on account of lower material costs in FY2016 and FY2017 (Provisional). The net profit margin stood at 3.67 per cent in FY2017 (Provisional) compared to 2.89 per cent in FY2016. SMERA expects operating margins to remain in the 9- 10 per cent range over the medium term with expansion in the EPC division.

The company has healthy order book of Rs 128 crore for cables and Rs 1650 crore for execution of turn key projects which provide revenue visibility for the next three years.

Weaknesses:

Working capital intensive operations: The working capital intensive operations are marked by high gross current asset (GCA) days of 176 in FY2017 (Provisional) and 165 days in FY2016 compared to 182 days in FY2015. The inventory days are moderate at 80 in FY2017 (Provisional) and 70 days in FY2016 as against 89 days in FY2015. The debtor days stand at 89 in FY2017 (Provisional) and 73 days in FY2016 compared to 80 days in FY2015.

Fragmented industry: The fragmented nature of the industry proves to be a major threat with only 30 per cent of the players in the organised sector. The operating margins in the manufacturing segment are low at around 9 percent. While LPIPL's overall profitability will benefit from diversification into higher margin turnkey projects, the upward movement in margin will be limited due to the intense competition in the industry.

Analytical Approach: SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the outlook on LPIPL's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue, profitability or if the working capital cycle gets stretched.

About the Rated Entity – Key Financials

The company reported Profit after tax (PAT) of Rs 7.77 crore on operating income of Rs 268.36 crore in FY2015-16 as against PAT of Rs 5.35 crore on operating income of Rs 209.58 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

- <https://www.smera.in/criteria-complexity-levels.htm>

Rating History for the last three years: Not Applicable

*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit#	N.A	N.A	N.A	39.00	SMERA A-/Stable (Assigned)
Cash Credit##	N.A	N.A	N.A	8.40	SMERA A-/Stable (Assigned)
Bill Discounting	N.A	N.A	N.A	5.60	SMERA A2+ (Assigned)
Cash Credit	N.A	N.A	N.A	6.00	SMERA A-/Stable (Assigned)
Cash Credit	N.A	N.A	N.A	6.00	SMERA A-/Stable (Assigned)
Cash Credit	N.A	N.A	N.A	5.00	SMERA A-/Stable (Assigned)
Proposed	N.A	N.A	N.A	6.00	SMERA A-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	69.00	SMERA A2+ (Assigned)
Letter of Credit*	N.A	N.A	N.A	26.00	SMERA A2+ (Assigned)
Bank Guarantee	N.A	N.A	N.A	3.50	SMERA A2+ (Assigned)
Letter of Credit	N.A	N.A	N.A	3.25	SMERA A2+ (Assigned)
Bank Guarantee^	N.A	N.A	N.A	15.00	SMERA A2+ (Assigned)
Letter of Credit^	N.A	N.A	N.A	11.00	SMERA A2+ (Assigned)
Bank Guarantee	N.A	N.A	N.A	19.00	SMERA A2+ (Assigned)
Letter of Credit	N.A	N.A	N.A	8.00	SMERA A2+ (Assigned)
Bank Guarantee**	N.A	N.A	N.A	30.00	SMERA A2+

					(Assigned)
Bank Guarantee	N.A	N.A	N.A	10.00	SMERA A2+ (Assigned)
Proposed Letter of Credit	N.A	N.A	N.A	21.75	SMERA A2+ (Assigned)
Proposed Bank Guarantee	N.A	N.A	N.A	33.50	SMERA A2+ (Assigned)

Includes sublimit of Rs 7.80 crore of PC/PCFC/FBE/BRD)

Includes sublimit of Rs 3.00 crore of EPC/FBP/FBD)

^There is one way interchangeability from LC to BG

** BG is 100 per cent interchangeable with LC.

* Includes sublimit of buyers credit of Rs 3.00 crore.

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ABOUT SMERA

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