

Press Release



Laser Power & Infra Private Limited

23 July, 2018

Rating Upgraded

Total Bank Facilities Rated*	Rs. 564.00 Cr.
Long Term Rating	ACUITE A/ Outlook: Stable (Upgraded from ACUITE A-/Stable)
Short Term Rating	ACUITE A1 (Upgraded from ACUITE A2+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE A** (**read as ACUITE A**) from '**ACUITE A-**' (**read as ACUITE A minus**) and short term rating to '**ACUITE A1**' (**read as ACUITE A one**) from '**ACUITE A2+**' (**read as ACUITE A two plus**). Acuité has also assigned long term rating of '**ACUITE A** (**read as ACUITE A**)' on the above mentioned bank facilities of Laser Power & Infra Private Limited (LPIPL). The outlook is '**Stable**'.

The upgrade in ratings is primarily driven by a stronger business profile as reflected in a sharp rise in revenues of the company in FY2018 as against FY2017 thereby leading to steady increase in net cash accruals. The company currently has an order book of around Rs. 2200 Cr. to be executed over the medium term which provides comfortable revenue visibility. Further, the rating also favorably factors in the commencement of the manufacturing of 33 KV high tension (HT) cables from the current fiscal which Acuité believes would translate into better profitability margins for LPIPL.

Incorporated in 1988, Kolkata-based Laser Power and Infra Private Limited (LPIPL), was promoted by Mr. Purushottam Dass Goel and family. Currently, the second generation led by Mr Deepak Goel (son of Purushottam Dass Goel), Managing Director manages the operations of the company. The company is primarily engaged in the manufacture of power cables and conductors such as aerial bunched cables, XLPE insulated cables and aluminum conductors at Dhulagarh, West Bengal with installed capacity of 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 Organization (RDSO) for supply of railway signaling and power cables to Indian Railways.

Key Rating Drivers

Strengths

Long track record in power cable industry

The management of LPIPL consisting of Mr. Deepak Goel and family has around three decades of extensive experience in manufacturing of aluminum and cable conductors. The extensive experience of the management has helped to establish long standing relationship with their key suppliers and customers. It has also enabled the promoters to foray into power distribution projects as a forward integration from the manufacturing activity.

Robust financial risk profile

The financial risk profile of LPIPL is robust marked by a healthy net worth base, conservative gearing (debt-equity) and comfortable debt protection metrics. The net worth stood at Rs. 135.06

Cr. as on 31st March, 2018 (prov) compared with Rs. 97.29 Cr. in the previous year. The debt to equity ratio of the company stands at 0.91 times on 31st March, 2018 (prov) as against 0.66 times in the previous year. The rise in debt-equity ratio is due to the increase in total debt level to Rs 123.24 Cr. as on 31st March'18 (prov) from Rs 97.29 Cr. in the previous year primarily due to increased working capital requirements of the higher scale of operations. The total debt as on 31st March'2018 consists of short term working capital limit of Rs 106.15 Cr., term loan of Rs 15.78 Cr. and Rs 1.33 Cr. of unsecured loan from related parties. Despite a rise in debt levels, the debt protection metrics stands comfortable marked by interest coverage ratio of 3.20 times as on 31st March'2018 against 2.47 times in the previous year. DSCR stood at 2.37 times as on 31st March'2018.

Significant growth in revenue

The company has registered revenue of Rs 661.28 Cr. in FY 18 (prov) as compared to Rs 393.94 Cr. in the previous year thereby registering a healthy y-o-y growth of 67.86 per cent. Also the company's revenue has grown at a compounded annual growth rate (CAGR) 50.06 per cent during the last four years. The significant growth in revenue is driven by the growth in the power distribution EPC business with the company becoming an approved vendor of Power Grid Corporation of India from Feb'2015.

The rise in revenues has been coupled with rise in net cash accruals to Rs 28.08 Cr. in FY 2018 (prov) as compared to Rs 16.78 Cr. in the previous year. The accruals are sufficient to meet LPIPL's annual fixed repayment obligation to the tune of ~ Rs 4 Cr.

Healthy order book position

The company is having a healthy order book of ~ Rs 1900 Cr. from EPC projects and Rs 271 Cr. from manufacturing of cables and conductors. The healthy order book position comprises of repeat orders received especially from state power utilities in Eastern India. The healthy book to bill ratio of 2.44 times in FY 18 indicates the capability of the organization to be able to replace its order backlog with new orders. ACUITE believes that the strong execution capability of the company will lead to continuous flow of orders which in turn will support the business risk profile of the company over the medium term.

Weaknesses

Working capital intensive operations

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 197 days in FY2018 (prov) as compared to 205 days in FY2017. The high GCA days are on account of a high level of receivables, an inherent nature in the EPC contract business. The debtor days increased to 143 in FY 2018 (prov) as compared to 118 days in the previous year due to higher contribution of revenue from EPC projects which increased to 43 per cent in FY 2018 as compare to 34 per cent in the previous year.

Outlook: Stable

Acuité believes the outlook on LPIPL's ratings will remain stable over the medium term backed by its healthy order book position and strong financial risk profile. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company fails to achieve the envisaged revenue and profitability levels or there is a deterioration in its working capital cycle.

Analytical Approach: Acuité has considered the standalone business and financial risk profiles of the company to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	661.28	393.94	268.36
EBITDA	Rs. Cr.	53.62	40.18	24.72
PAT	Rs. Cr.	21.23	12.47	7.77
EBITDA Margin	(%)	8.11	10.20	9.21
PAT Margin	(%)	3.21	3.16	2.89
ROCE	(%)	24.31	26.36	22.81
Total Debt/Tangible Net Worth	Times	0.91	0.66	0.43
PBDIT/Interest	Times	3.20	2.47	2.34
Total Debt/PBDIT	Times	2.08	1.53	1.31
Gross Current Assets (Days)	Days	197	205	162

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
5th July17	Cash Credit	Long Term	64.40	ACUITE A-/Stable (Assigned)
	Bill Discounting	Short Term	5.60	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	146.50	ACUITE A2+ (Assigned)
	Proposed	Long Term	6.00	ACUITE A-/Stable (Assigned)
	Letter of Credit	Short Term	48.25	ACUITE A2+ (Assigned)
	Proposed Letter of Credit	Short Term	21.75	ACUITE A2+ (Assigned)
	Proposed Bank Guarantee	Short Term	33.50	ACUITE A2+ (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	64.40	ACUITE A/ Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.60	ACUITE A/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	59.25	ACUITE A1 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	176.50	ACUITE A1 (Upgraded)
Proposed Short Term facilities	Not Applicable	Not Applicable	Not Applicable	204.25	ACUITE A1 (Upgraded)

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About Acuité Ratings & Research:

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