Press Release

Laser Power & Infra Private Limited

April 03, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 564.00 Cr.
Long Term Rating	ACUITE A/ Outlook: Stable (Re-affirmed)
Short Term Rating	ACUITE A1 (Re-affirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A**' **(read as ACUITE A)** and short term rating of **'ACUITE A1' (read as ACUITE A one)** to the above mentioned bank facilities of Laser Power & Infra Private Limited (LPPL). The outlook is **'Stable'**.

Incorporated in 1988, Kolkata-based LPPL was promoted by Mr. Purushottam Dass Goel and family. Currently, the second generation led by Mr. Deepak Goel (son of Mr. 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). LPPL is also registered with Research Design & Standard Organization (RDSO) for supply of railway signaling and power cables to Indian Railways.

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

Key Rating Drivers

Strengths

Long track record in power cable industry
The management of LPPL 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.

Robust financial risk profile
The financial risk profile of LPPL is robust marked by a healthy net worth base, conservative gearing (debt-equity) and comfortable debt protection metrics. The net worth stood at Rs.132.07 crore as on 31 March, 2018 compared with Rs.97.29 crore in the previous year. The debt to equity ratio of the company stood at 0.93 times on 31 March, 2018 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 crore as on 31 March, 2018 from Rs.97.29 crore in the previous year primarily due to increased working capital requirements to support the rise in scale of operations. The total debt as on 31 March, 2018 consists of short term working capital limit of Rs.106.15 crore, term loan of Rs 15.78 crore and Rs 1.33 crore of unsecured loan from related parties. Despite a rise in debt levels, the debt protection metrics stood comfortable marked by interest coverage ratio of 3.30 times as on 31 March, 2018 against 2.47 times in the previous year. DSCR stood at 2.50 times as

on 31 March, 2018.

Significant growth in revenue

The company has registered revenue of Rs.651.81 crore in FY 18 as compared to Rs.393.94 crore in the previous year, thereby registering a healthy y-o-y growth of 67.46 per cent. Also, the company's revenue has grown at a compounded annual growth rate (CAGR) of 50.06 per cent during the last four years ended 2018. During the current financial year, the company clocked revenue of Rs.859.02 crore till December, 2018 (Provisional). The significant growth in revenue is driven by the growth from EPC business with the company becoming an approved vendor of Power Grid Corporation of India from February, 2015.

The rise in revenues has been coupled with rise in net cash accruals to Rs.30.04 crore in FY 2018 as compared to Rs.16.78 crore in the previous year. The accruals are sufficient to meet LPPL's annual fixed repayment obligations to the tune of ~ Rs.4.00 crore.

Healthy order book position

The company has a healthy order book of ~ Rs.1332.34 crore from EPC projects and Rs.338.66 crore 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 organisation to be able to replace its order backlog with new orders. Acuité 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) of 210 days in FY2018 as compared to 221 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 156 in FY 2018 as compared to 133 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. Further, the working capital intensity is reflected from ~ 90 per cent utilisation of its fund based limit for the six month ended February, 2019.

Liquidity Position:

LPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.30.00 crore while its maturing debt obligations are in the range of Rs.4.00 crore. However, the working capital cycle is stretched considering the Gross Current Assets (GCA) of 210 days in FY 2018. This has led to significant reliance on working capital borrowings, the average fund based limit utilisation was ~ 90 percent during the last 6-month period ended February 2019. The current ratio of the LPPL stood at 1.29 times as on 31March, 2018.

Outlook: Stable

Acuité believes that the outlook on LPPL's ratings will remain 'Stable' over the medium term backed by its established position in power cable industry and healthy order book position. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while improving its working capital management. 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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	651.81	393.94	268.36
EBITDA	Rs. Cr.	54.69	40.18	24.72
PAT	Rs. Cr.	23.17	12.47	7.77
EBITDA Margin	(%)	8.39	10.20	9.21
PAT Margin	(%)	3.55	3.16	2.89
ROCE	(%)	24.95	26.36	22.81
Total Debt/Tangible Net Worth	Times	0.93	0.66	0.43
PBDIT/Interest	Times	3.30	2.47	2.34
Total Debt/PBDIT	Times	2.03	1.53	1.31
Gross Current Assets (Days)	Days	210	221	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
7-Aug-2018	Cash Credit	Long Term	76.00	ACUITE A/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	14.00	ACUITE A/Stable (Reaffirmed)
	Term Loans	Long Term	34.00	ACUITE A/Stable (Reaffirmed)
	Letter of Credit	Short Term	91.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	200.00	ACUITE A1 (Reaffirmed)
	Proposed Short Term Facilities	Short Term	149.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	64.40	ACUITE A/Stable (Upgraded)

23-Jul-2018	Proposed Cash Credit	Long Term	45.60	ACUITEA/Stable (Upgraded)
	Term Loans	Long Term	14.00	ACUITE A/Stable (Assigned)
	Letter of Credit	Short Term	59.25	ACUITE A1 (Upgraded)
	Bank Guarantee	Short Term	176.50	ACUITE A1 (Upgraded)
	Proposed	Short Term	204.25	ACUITE A1 (Upgraded)
5-Jul-2017	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	110.00	ACUITE A/ Stable (Re-affirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A/ Stable (Re-affirmed)
Letter of Credit/ Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	124.00	ACUITE A1 (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	94.00	ACUITE A1 (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	222.00	ACUITE A1 (Re-affirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.