

Press Release

Laser Power & Infra Private Limited

November 11, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 834.00 Cr.
Long Term Rating	ACUITE A/ Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A**' (**read as ACUITE A**) and the short term rating of '**ACUITE A1**' (**read as ACUITE A one**) on the Rs.834.00 crore bank facilities of Laser Power and Infra Private Limited (LPPL). The outlook is '**Stable**'.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of LPPL to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced management and long track record of operations**

The key director, Mr. Deepak Goel and family have around three decades of extensive experience in manufacturing of power cables and conductors. He has been in the business since inception and over the years under his leadership, the company has introduced new products in the company like ABC (Ariel Bunched Cables), XLPE Cable and Alloy Conductor. The company has also started manufacturing 33 KV High tension cables. Acuité believes that the extensive experience of the management has helped the company to establish long standing relationship with their key suppliers and customers and secure repeat orders.

- **Improvement in top-line**

The company has registered healthy revenues of Rs.1211.07 crore in FY19 as compared to Rs.651.81 crore in the previous year, thereby registering a y-o-y growth of 85.80 per cent. The significant growth in top line is mainly on account of increased order-book execution in the EPC division coupled with healthy volume growth in cables & conductors.

During the current financial year, the company clocked revenue of Rs.648 crore till September 2019 (Provisional). The rise in revenues has resulted in substantial increase in cash accruals in FY 2019 to Rs.58.15 crore in FY 2019 as compared to Rs.30.04 crore in the previous year. The accruals are sufficient to meet LPPL's annual fixed repayment obligations to the tune of ~ Rs.10.86 crore.

- **Established relationship with its customers**

Over the years LPIPL had established relationship with its customers and suppliers. Its customer includes mainly power grid and state power utilities in Eastern India. The company is a major player in eastern India and caters to West Bengal State Electricity Distribution Company limited, South Bihar Power Distribution Company Limited, Assam Power Distribution Company Limited, NTPC Limited, Power Grid Corporation Limited for the EPC Projects.

For the cables and conductors, the company is catering to East Coast Railway, Larsen & Toubro Limited and Godrej & Boyce Manufacturing Co Limited to name a few. Acuité believes that

long relationship with their key customers has helped them to secure repeat orders.

- **Comfortable financial risk profile**

The company's financial risk profile is comfortable marked by healthy net worth, comfortable gearing and debt protection metrics. The tangible net worth of the company improved to Rs 179.08 crore in FY2019 as compared to Rs 132.47 crore in the previous year due to accretion of profits. While arriving at the net worth, Acuité has considered Rs 25 crore of unsecured loan from promoters as quasi equity as the same is subordinated to bank. The gearing stood comfortable at 0.79 times as on 31 March, 2019 as against 0.93 times as on 31 March 2018. The total debt of Rs. 140.66 crore consists of term loan of Rs. 28.94 crore, short term borrowings of Rs. 110.86 crore in FY2018. Moreover, the debt protection metrics is comfortable marked by interest coverage ratio (ICR) of 2.93 times in FY2019 as against 3.3 times in FY2018. Debt service coverage ratio (DSCR) stood at 2.23 times in FY2019 as against 2.50 times in FY2018. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.41 times in FY2019 as against 0.52 times in FY2018. Acuité believes the financial risk profile of the company to improve over the medium term backed by healthy net cash accruals.

Weaknesses

- **Working capital intensive nature of operations**

The working capital cycle of the company is marked by Gross Current Assets (GCA) days of 164 as on 31 March 2019 as against 210 days in the previous year. The GCA days comprises of inventory days of 34 as on 31 March 2019 as against 52 days in the previous year and debtor days which decreased to 138 days in FY 2019 as compared to 154 days in FY 2018. Further, the working capital intensity is reflected from ~ 83 per cent utilisation of its fund based limit for the six month ended Aug, 2019.

While operations are working capital intensive, Acuité believes the same will be comfortably funded through accrual over the medium term, thus reducing its reliance on short term debt. Moreover, we expect that financial support in the form of unsecured loan by the promoters as seen in the past will continue to augment the company's financial flexibility.

- **Fragmented industry**

The fragmented nature of the industry proves to be a major threat. Only 30 per cent of the players in the industry are in the organized sector while rest of the players are in the unorganized sector. The small market share, competitive pressure because of the presence of small and medium-sized players, and tender-based business will keep operating margins range bound in the manufacturing segment.

Rating Sensitivity

- Efficient working capital management through reduction in receivables
- Order flow and execution

Material Covenants

None

Liquidity Profile

LPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.58.15 crore in FY19 to repay its maturing debt obligations of Rs.2.08 crore over the same period. However, the company's operations are working capital intensive marked by gross current asset (GCA) of 164 days in FY2019 as against 210 days in FY2018. This has led to significant reliance on working capital borrowings. The current ratio stood at 1.38 times as on March 31, 2019 and the fund-based limit remains utilised at 82 percent over the twelve months ended Aug 2019. The company maintains unencumbered cash and bank balances of Rs.1.42 crore as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that the company's outlook will remain stable over the medium term backed by its experienced management and established relationship with its customers. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case of the company fails to achieve envisaged revenue and profitability and its working capital cycle gets further stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1211.07	651.81	393.94
EBITDA	Rs. Cr.	124.14	54.69	40.18
PAT	Rs. Cr.	47.02	23.17	12.47
EBITDA Margin	(%)	10.25	8.39	10.20
PAT Margin	(%)	3.88	3.55	3.16
ROCE	(%)	39.38	24.95	44.64
Total Debt/Tangible Net Worth	Times	0.79	0.93	0.66
PBDIT/Interest	Times	2.93	3.30	2.47
Total Debt/PBDIT	Times	1.10	2.03	1.53
Gross Current Assets (Days)	Days	164	210	221

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
03-April -2019	Cash Credit	Long Term	110.00	ACUITE A / Stable (Reaffirmed)
	Term Loan	Long Term	14.00	ACUITE A / Stable (Reaffirmed)
	Letter of Credit/ Bank Guarantee	Short Term	124.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	94.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	222.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	76.00	ACUITE A / Stable (Reaffirmed)
	Term Loan	Long Term	34.00	ACUITE A / Stable (Reaffirmed)

07- Aug- 2018	Proposed Cash Credit	Short Term	14.00	ACUITE A1 (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)
23-July- 2018	Cash Credit	Long Term	64.40	ACUITE A / Stable (Upgraded)
	Term Loan	Long Term	14.00	ACUITE A / Stable (Assigned)
	Proposed Cash Credit	Short Term	45.60	ACUITE A / Stable (Upgraded)
	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)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	115.00 (Enhanced from Rs.110.00 Cr)	ACUITE A/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	53.00 (Enhanced from Rs.14.00 Cr)	ACUITE A/ Stable (Reaffirmed)
Letter of Credit/ Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	169.00 (Enhanced from Rs.124.00 Cr)	ACUITE A1 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	130.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	187.00	ACUITE A1 (Reaffirmed)
Proposed long term facilities	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A/ Stable (Reaffirmed)
Proposed short term facilities	Not Applicable	Not Applicable	Not Applicable	130.00	ACUITE A1 (Reaffirmed)

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About Acuité Ratings & Research:

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