

Press Release

Laser Power & Infra Private Limited

February 03, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 843.00 Cr.
Long Term Rating	ACUITE A+/Stable (Upgraded)
Short Term Rating	ACUITE A1+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE A+**' (read as **ACUITE A plus**) from '**ACUITE A**' (read as **ACUITE A**) and the short term rating to '**ACUITE A1+**' (read as **ACUITE A one plus**) from '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 843.00 Cr bank facilities of Laser Power and Infra Private Limited (LPPL). The outlook is '**Stable**'.

The rating upgrade factors in the improvement in the company's business risk profile marked by sharp improvement in its operating profitability in FY2020. This has resulted in substantial increase in cash accruals in FY2020 against no significant debt repayment obligation. Moreover, the rating also takes into account the strong business risk profile characterised by a healthy order book position and a robust financial position supported by comfortable gearing and strong debt protection metrics. Further, the company's ability to expand their footprint and diversify into different geographies has also strengthened its business position. These strengths, nonetheless, are offset by the working capital intensity in LPPL's operations with relatively high gross current assets (GCA) and moderately high utilisation of working capital facilities.

Incorporated in 1988, Laser Power and Infra Private Limited is a Kolkata-based company engaged in the manufacturing of power cables and conductors such as aerial bunched cables, HT 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. The company is promoted by Mr. Purushottam Dass Goel and his family. Currently, the second generation led by Mr. Deepak Goel (son of Mr. Purushottam Dass Goel), Managing Director, manages the operations of the company.

Analytical Approach

Acuite 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 company has a long track record of over three decades in the manufacturing of power cables and conductors. The key director, Mr. Deepak Goel 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. He is actively involved in the day to day operations of the company supported by a team of experienced professionals from the industry. The company has also started to export cables and conductors to African countries, thereby diversifying their presence. Acuite 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.

- **Healthy Order Book Position**

The company has a healthy order book of ~ Rs 547 Cr. as on 1st Oct,2020 for EPC projects which is expected to be executed by March,2022. Further, the company has received new order worth Rs.100 Cr. from North Bihar Power Distribution Company Limited in Dec,2020 which will be executed within 2-3 years from the commencement date. The healthy order book position comprises of repeat orders received especially from state power utilities in eastern India. The order flow has reduced in the current year due to the pandemic. However, the order inflow is expected to improve from the end of this financial year.

For manufacturing division, the company has orders in hand of around Rs 307 Cr. as on 13th Nov,2020, thus providing adequate revenue visibility over the medium term. The orders for manufacturing of cables & conductors are primarily from BHEL, East Central Railway, Ethiopian Electric Utility, etc. Moreover, the company has bid for projects worth Rs. 850.00 Cr till date out of which approx Rs. 200.00 Cr is L1 and Rs. 300 Cr is expected to be awarded.

The orders for EPC projects are primarily from state power utilities such as North Bihar Power Distribution Company Limited, Power Grid Corporation Limited, West Bengal State Electricity Distribution Company Limited (WBSEDCL), Odisha Small Industries Corporation Ltd (OSIC). The company majorly participates in tenders floated in West Bengal, Bihar, Odisha and Jharkhand. 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.

- **Established relationship with its customers**

Over the years, the company has established healthy relationship with its customers and suppliers. Its customer includes mainly power grid and state power utilities in Eastern India. The company is one of the 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, Jharkhand BijliBitran Limited for the EPC Projects.

For the aluminium conductors and cables, the company is catering to East Coast Railway, Larsen & Toubro Limited and Godrej & Boyce Manufacturing Co Limited to name a few. Acuite believes that long relationship with their key customers has helped them to secure repeat orders.

- **Significant improvement in profitability margins**

The company's operating margins have increased significantly to 17.05 per cent in FY2020 as compared to 10.25 percent in FY2019. The increase in operating margin is largely driven by lower raw material costs, mainly of aluminium and copper in FY20. Also, higher revenue contribution from EPC segment where margin is relatively high in comparison to manufacturing segment has added to the profitability. As a result, PAT margin increased to 8.73 per cent in FY2020 as compared to 3.88 per cent in FY 2019.

However, prices of aluminum and copper have rebound since June, 2020 and thus would impact operating margins in FY21. Till Sep,2020, the company has achieved operating margin of 14.70 per cent (Prov). Despite a dip in profitability margins in FY21, the same is expected to remain healthy compared to prior years.

- **Comfortable financial risk profile**

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs. 273.53 Cr. as on 31 March, 2020 as against Rs. 179.08 Cr. as on 31st March, 2019. While arriving at the net worth, the team has considered Rs 25.00 Cr. of unsecured loan as quasi equity based on the condition laid in the sanction letter that the same would be subordinated to bank. The gearing (debt-equity) stood comfortable at 0.74 times in FY2020 as against 0.79 times in FY2019. The total debt of Rs. 202.27 Cr. as on March 31, 2020 consists of short term borrowings of Rs. 150.24 Cr, long term borrowings of Rs.50.77 Cr and unsecured loan of Rs.1.25 Cr. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood comfortable at 3.82 times and 2.90 times in FY2020 as compared to 2.93 times and 2.23 times in FY2019, respectively. The NCA/TD stood at 0.55

times in FY2020 as against 0.41 times in FY2019. Acuite believes that the financial risk profile of the company will remain comfortable in the absence of any major debt funded capex plans in the medium term.

Weaknesses

• Working capital intensive nature of operations

The working capital intensive nature of operations is marked by high gross current asset days of 226 days in FY2020 as compared to 164 days in FY2019. The rise in GCA days is mainly on account of high debtor days which increased to 173 days for FY2020 against 109 days in FY19 on account of lower collection driven by disruption in operations due to Covid-19 induced lockdown. Inventory days stood at 23 days in FY2020 as against 34 days in FY2019. Further, the working capital intensity is reflected by the utilization of ~ 80 per cent of its working capital limits during the 12 month ended June,2020.

While operations are working capital intensive, Acuite believes the same will be majorly funded through accruals over the medium term, thus reducing its reliance on short term debt. Moreover, we expect that financial support demonstrated by the promoters 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 percent of the players in the industry are in the organized sector while rest of the players are in the unorganized sector. The small market shares, competitive pressure because of the presence of small and medium-sized players, and tender-based business will keep operating margins in the manufacturing segment low.

Rating Sensitivity

- Growth in scale of operations while maintaining operating profitability
- Efficient working capital management through reduction in receivables
- Order flow and execution

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.110.86 Cr in FY2020 as against long term debt obligations of Rs.11.01 Cr over the same period. The current ratio stood at 1.51 times as on March 31, 2020. The company maintained unencumbered cash and bank balances of Rs.1.48 Cr as on March 31, 2020. The company had not availed moratorium during Mar 2020 to Aug 2020 and has been sanctioned Covid loan of Rs.5.09 Cr. However, the company's operations are working capital intensive as marked by high gross current asset days of 226 days in FY2020 as compared to 164 days in FY2019. The company has utilised ~ 80 per cent of its working capital limits during the 12 months ended June,2020. Going forward, Acuite believes that the company's liquidity to remain adequate owing to healthy cash accruals against no significant debt obligations over the medium term.

Outlook: Stable

Acuite believes that the company's outlook will remain stable over the medium term backed by its experienced management, healthy relationship with its customers and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. The outlook may be revised to 'Negative' in case of significant deterioration in the company's financial risk profile and liquidity position or long delays in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1,081.92	1,211.07
PAT	Rs. Cr.	94.42	47.02
PAT Margin	(%)	8.73	3.88
Total Debt/Tangible Net Worth	Times	0.74	0.79
PBDIT/Interest	Times	3.82	2.93

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Nov-2019	Cash Credit	Long Term	115.00	ACUITE A/ Stable (Reaffirmed)
	Term Loan	Long Term	53.00	ACUITE A/ Stable (Reaffirmed)
	Letter of Credit/ Bank Guarantee	Short Term	169.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	130.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	187.00	ACUITE A1 (Reaffirmed)
	Proposed long term facilities	Short Term	50.00	ACUITE A/ Stable (Reaffirmed)
	Proposed short term facilities	Short Term	130.00	ACUITE A1 (Reaffirmed)
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

07- Aug- 2018				(Reaffirmed)
	Proposed Cash Credit	Short Term	14.00	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)

***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	39.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+ /Stable (Rating Upgraded)
Term Loan	Dec,2018	9.7	Dec,2022	14.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A+ /Stable (Rating Upgraded)
Term Loan	June,2019	9.99	June,2026	19.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A+ /Stable (Rating Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A+ /Stable (Rating Upgraded)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	99.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	52.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	47.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A1+ (Upgraded)
Letter of Credit (sublimit of BG)	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE A1+ (Upgraded)
Letter of Credit (sublimit of BG)	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A1+ (Upgraded)
Letter of Credit (sublimit of BG)	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A1+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A1+ (Upgraded)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A1+ (Upgraded)
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