

Press Release

Lumino Industries Limited

May 07, 2019

Rating Re-affirmed and Assigned



Total Bank Facilities Rated*	Rs. 621.00 Cr. (Enhanced from Rs 591.00 crore)
Long Term Rating	ACUITE A+/Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and short term rating of '**ACUITE A1**' (read as **ACUITE A one**) to the Rs. 591.00 crore bank facilities of Lumino Industries Limited (LIL). Acuite has also assigned long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) to the Rs 30.00 crore bank facilities of LIL. The outlook is '**Stable**'.

Established as a partnership firm in 1989 and later converted as a public limited company in 2005 - Lumino Industries Limited is a Kolkata based company engaged in manufacture of aluminum conductors and power cables. In addition, the company is engaged in execution of EPC projects under different government schemes. The company started with trading business and then ventured into manufacturing of cables and conductors required for overhead electrification purpose. Further, in 2007 they ventured into power infrastructure turnkey projects where it lays down transmission and distribution lines and constructs power substation. The company was promoted by Mr. Purushottam Dass Goel and currently the operations are managed by his son Mr. Devandra Goel.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of LIL 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 nearly three decades in the aluminum conductors and power cable manufacturing business. Since 2007, the company also commenced infrastructure turnkey projects by laying down transmission and distribution lines and constructs power substation. The long experience has resulted in establishing LIL as a major player in the Eastern parts of India especially for EPC projects where the company is executing projects for West Bengal State Electricity Distribution Company limited (Rated ACUITE A-/Stable/A2+), South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited. For the aluminum conductors and cables manufacturing segment, the company is catering to SMS Limited (Acuite A/Stable/A1), Bajaj Electricals Limited, Larsen & Toubro Limited, Tata Projects Limited, NCC Limited among others.

Healthy order book position

The company is having a healthy order book of Rs. 1307 crore consisting of Rs. 1061 crore for EPC contract, Rs. 246 crore from manufacturing of cables and conductors. The healthy order book position also reflects repeated orders received especially from state power utilities of West Bengal and Bihar. To

execute the orders, the company has already increased its installed capacity to 24,000 MTPA from 18,000 MTPA in FY 2017-18. The PVC cables, XLPE cables and aluminum conductors manufactured in house are used for EPC project execution.

The company has healthy book to bill ratio of 1.80 times in FY 18. The healthy book to bill ratio indicates the capability of the organization to replace its order backlog with new orders.

Robust financial risk profile

The robust financial risk profile of the LIL is marked by its healthy net worth, low gearing and strong debt protection metrics. The net worth stood at Rs. 187.16 crore as on 31st March'2018 as compared to Rs 141.84 crore in the previous year. The debt to equity ratio of the company stood at 0.37 times as on 31st March, 2018 as against 0.30 times as on 31st March, 2017. This, along with a healthy cash and bank balance of ~Rs. 37 crore provides financial flexibility. LIL reported a comfortable interest coverage ratio of 6.92 times in as on 31st March, 2018 as against 0.30 times as on 31st March, 2017 despite a rise in debt levels from Rs 42.15 cr as on 31st March, 2017 to Rs 69.86 cr as on 31st March, 2018. Strong Net Cash accruals to Total Debt (NCA/TD) of 0.70 times in FY2018. DSCR is comfortable at 5.13 times in FY2018.

Going forward, Acuité believes the financial risk profile to remain healthy over the medium term in the absence of any significant capex plan.

Significant growth in revenue and profitability

The company has registered healthy revenue of Rs 879.61 crore in FY 19 (prov) as compared to Rs 525.02 crore in the previous year, thereby registering a healthy y-o-y growth rate of 67.54 per cent. The significant growth in revenue is on account of the increase in the EPC project execution.

Along with the growth in revenue, LIL has been able to increase its profitability margins as evident from EBITDA levels of ~ 15 % in FY 2019 (prov) as compare to 14.75 % in the previous year. The rise in EBITDA levels has resulted in rise in net profit margins due to no significant rise finance cost and depreciation. The rise in EBITDA margins is on account of decline in the cost of raw materials and increase in the EPC project which are more profitable in nature.

Going forward, Acuité believes the LIL will be able to increase it topline further while maintaining its profitability margins due to healthy order book position from EPC projects.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 190 days in FY2018 as compared to 160 days in FY2017. The rise in GCA days is on account of rise in debtor days and cash and bank balance. The debtor days increased to 118 days as on 31st March'2018 from 58 days in the previous year. The rise in debtor days in FY 2018 was on account of higher sales in the last quarter of FY 2018. The majority of the EPC contract is executed in the last quarter of every financial year which is ~ 50-60 per cent of its annual revenue from EPC projects. Though, there has been an increase in debtor levels during the year end, the fund based limit utilization remains at comfortable levels at ~ 56 per cent during the 6 month ended January'19.

Customer concentration

The company has a healthy order book position from EPC projects which is ~ Rs 1061 crore to be executed in the next 2- 3 years. However, the majority of the projects are received from North Bihar Power Distribution Company Limited amounting to around Rs 447 crore which is ~ 42 per cent.

Outlook: Stable

Acuité believes that company will continue to benefit over the medium term from the promoters long experience and strong business risk profile. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while improving its working capital cycle.

Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	525.02	368.01	390.41
EBITDA	Rs. Cr.	77.44	40.75	46.23
PAT	Rs. Cr.	45.54	22.94	11.08
EBITDA Margin	(%)	14.75	11.07	11.84
PAT Margin	(%)	8.67	6.23	2.84
ROCE	(%)	35.08	27.34	58.67
Total Debt/Tangible Net Worth	Times	0.37	0.30	0.05
PBDIT/Interest	Times	6.92	3.39	1.96
Total Debt/PBDIT	Times	0.87	0.97	0.15
Gross Current Assets (Days)	Days	190	160	145

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-infra.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
16-October-2018	Overdraft	Long Term	103.28	ACUITE A+/Stable (Assigned)
	Bill Discounting	Long Term	19.72	ACUITE A+/Stable (Assigned)
	Letter of Credit	Short Term	65.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	276.00	ACUITE A1 (Assigned)
	Letter of Credit/Bank Guarantee	Short Term	127.00	ACUITE A1 (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	103.28	ACUITE A+ / Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A+ / Stable (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	19.72	ACUITE A+ / Stable (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE A1 (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	325.00	ACUITE A1 (Re-affirmed)
Letter of Credit/ Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	63.00	ACUITE A1 (Re-affirmed)

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About Acuité Ratings & Research:

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