

Press Release

Lumino Industries Limited

11 November, 2019

Rating Reaffirmed & Upgrade



Total Bank Facilities Rated*	Rs. 671.00 Cr. (Enhanced from Rs 621.00 cr)
Long Term Rating	ACUITE A+/Stable (Reaffirmed)
Short Term Rating	ACUITE A1+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and upgraded the short term rating to '**ACUITE A1+**' (read as **ACUITE A one plus**) from 'ACUITE A1' (read as ACUITE A one) to the Rs.621.00 Cr. of bank facilities of Lumino Industries Limited (LIL). The outlook is '**Stable**'.

The upgrade on the short term rating is on account of a stronger liquidity position along with the sustenance of their strong financial risk profile. The ratings also factor in the company's steady growth in turnover coupled with significant improvement in the profitability levels, thus translating into increased net cash accruals in FY2019 as compared to the previous years.

Lumino Industries was started as a partnership firm in 1989 by Mr. Purushottam Dass Goel and was subsequently converted into a closely held company in 2005. The day to day operations are currently managed by Mr. Devandra Goel (son of Mr. Purushottam Dass Goel). Lumino Industries Limited is a Kolkata based company engaged in manufacture of aluminum conductors and power cables. In addition, the company has been increasingly engaged in execution of EPC projects under different government schemes. Since 2007 they have undertaken turnkey projects in the power sector where it lays down transmission and distribution lines and constructs power substations. LIL has also forayed into the installation of solar power plants from 2019.

Analytical Approach

Acuité 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 operation

The company has a long track record of 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 constructing power substations. The long experience has resulted in establishing LIL as a major player in the Eastern part of India especially for EPC projects in the power distribution sector where the company is executing projects for West Bengal State Electricity Distribution Company limited (Rated Acuité 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 key clients such as SMS Limited (Acuité A/Stable/A1), Bajaj Electricals Limited, Larsen & Toubro Limited, Tata Projects Limited, NCC Limited among others. Acuité believes that the long track record and long standing experience of the promoters augurs well for their relationship with their key suppliers and customers.

Healthy order book position

The company has a healthy order book of Rs 1119Cr. consisting of Rs773 Cr. for EPC contracts, Rs 261Cr.

from manufacturing of cables and conductors and Rs 85 Cr for solar projects as on September 2019. Around Rs.1300 Cr of orders are in the pipeline. The healthy order book position of the company lends strong revenue visibility over the medium term.

Robust financial 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. 249 Cr. as on 31st March'2019 as compared to Rs 187 Cr. in the previous year. The gearing of the company stood at 0.59 times as on 31st March 2019 as against 0.37 times as on 31st March, 2018 driven entirely by an increase in working capital borrowings in line with the increased scale of operations of the company. Debt as on 31 March 2019 included short term borrowing of Rs. 143.74 Cr. and long term loan of only Rs.2.3 Cr. LIL continued to report a comfortable interest coverage ratio of 5.71 times in as on 31st March, 2019 as against 6.92 times as on 31st March, 2018. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.45 times in FY2019 as compared to 0.70 times in the previous year. The slight moderation in the debt protection measures in FY2019 has been due to an increase in the interest charges for the increased debt levels. Going forward, Acuité believes the financial risk profile to remain robust over the medium term in the absence of any significant capex plan and steady cash accruals.

Sustained improvement in revenue and profitability

The revenues of the company have increased from Rs. 368 Cr. in FY2017 to Rs. 820 Cr. in FY2019 thereby registering a compound annual growth rate of 49.28 per cent. The growth in revenue have been driven mainly by the growth in the turnover from the EPC segment where the revenues have increased from Rs. 159 Cr. in FY2017 to Rs. 381 Cr. in FY2019. The profitability levels of the company as reflected by the EBITDA margins have also witnessed a sharp improvement from 11 percent in FY2017 to 17 percent in FY2019. The rise in profitability level has been driven by the increasing proportion of EPC revenues which fetches relatively better margins as compared to manufacturing line of business. Going forward, the sustainability of the revenue growth and the enhanced profitability would remain key rating sensitivity factors.

Weaknesses

High customer concentration

LIL's EPC order book is largely dependent on state owned entities of Bihar and West Bengal such as West Bengal State Electricity Distribution Company limited (Rated ACUITE A-/Stable/A2+), South Bihar Power Distribution Company Limited, etc. In addition, major portion of EPC contracts are related to power distribution. The company thus has high dependence on the power sector which is subject to regulatory risks.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin
- Diversification in order book in terms of customer concentration

Material Covenant

None

Liquidity Profile

The company's liquidity profile has strengthened as reflected from its low utilization of its fund based limits which stood at 45 percent during last 12 months ended August 2019. The company maintained unencumbered cash & cash equivalent at Rs 56.13 Cr at March-end 2019 as against Rs.49.15 Cr as at March-end 2018. The net cash accruals of the company stood at around Rs. 66.50 Cr. in FY2019 as against minimal loan obligations of Rs. 39 lakhs in the same period. Going forward, the cash accruals are expected to be in the range of Rs. 90-120 Cr as compared to loan repayments of around Rs. 2 Cr. from FY2020-22. The current ratio of the company stood at 1.55 times as on March 31, 2019. Acuité expects the liquidity position of the company to be sustained at strong levels in the absence of any major debt funded capex plans and steady accruals over the medium term.

Outlook: Stable

Acuite believes the outlook on LIL rated facilities will remain 'Stable' over the medium term backed by its long track record of operations, robust liquidity and strong order book position. The outlook may be revised to 'Positive' if the company diversifies its business geographically while maintaining its revenue growth and profitability margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the expected revenue or the liquidity profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	820.12	525.02	368.01
EBITDA	Rs. Cr.	139.56	77.44	40.75
PAT	Rs. Cr.	62.14	45.54	22.94
EBITDA Margin	(%)	17.02	14.75	11.07
PAT Margin	(%)	8.11	8.67	6.23
ROCE	(%)	42.78	35.08	27.34
Total Debt/Tangible Net Worth	Times	0.59	0.37	0.30
PBDIT/Interest	Times	5.71	6.92	3.39
Total Debt/PBDIT	Times	1.02	0.87	0.97
Gross Current Assets (Days)	Days	138	190	160

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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)
07- May - 2019	Cash Credit	Long Term	133.28	ACUITE A+/Stable (Re-affirmed)
	Bill Discounting	Long Term	19.72	ACUITE A+/Stable (Re-affirmed)

	Letter of Credit	Short Term	80.00	ACUITE A1 ((Re-affirmed))
	Bank Guarantee	Short Term	325.00	ACUITE A1 (Re-affirmed))
	Letter of Credit/Bank Guarantee	Short Term	63.00	ACUITE A1 (Re-affirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	153.28	ACUITE A+/Stable (Re-affirmed)
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+ (Upgrade)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	355.00	ACUITE A1+ (Upgrade)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	63.00	ACUITE A1+ (Upgrade)

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About Acuité Ratings & Research:

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