

Press Release

Lumino Industries Limited

April 07, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 725.00 Cr. (Enhanced from Rs 671 Cr.)
Long Term Rating	ACUITÉ A+/Stable (Reaffirmed)
Short Term Rating	ACUITÉ A1+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITÉ A+** (read as **ACUITÉ A Plus**) and short term rating of '**ACUITÉ A1+** (read as **ACUITÉ A one plus**) on the Rs.725.00 Cr. bank facilities of Lumino Industries Limited (LIL). The outlook is '**Stable**'.

The ratings continue to reflect the strong business profile of LIL marked by its established presence in the power cables and conductors business and related EPC segment. The ratings also factor in the company's long operational track record and robust financial risk profile. These credit strengths are partly offset by the working capital intensity in LIL's operations and high dependence on state power utilities which mostly have a relatively weak credit quality.

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 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 business and financial risk profile of LIL to arrive at this rating.

Key Rating Drivers

Strengths

Significant track record as EPC contractor in the power distribution sector

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 at Acuité BBB/Negative/A3+), 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 reputed companies such as SMS Limited (Acuité A/Stable/A1), KEI Industries Limited, Larsen & Toubro Limited, Tata Projects Limited and NCC Limited, among others. Acuité believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers.

Healthy scale of operation with steady profit margins

The revenues of the company have increased from Rs. 525 Cr. in FY2018 to Rs. 933 Cr. in FY2020 thereby registering a compound annual growth rate of 20.7 per cent. The revenue growth is driven by rise in revenue contribution from EPC segment where the revenues have increased from Rs. 381.2 Cr. in FY2019 to Rs. 623.9 Cr. in FY2020. However, the scale of operation is expected to decline in FY21 as company has recorded revenue of Rs 329 Cr till December 2020(Provisional). The decline is on account of slow execution of orders in H1FY21 because of the Covid-19 outbreak. The company currently has an order book of about Rs 557 Cr. consisting of Rs 218 Cr. from EPC contracts, Rs 273 Cr. from manufacturing of cables and conductors and Rs 66 Cr for solar projects as on December 2020. The outstanding order book currently has 79 percent of orders from domestic market and remaining portion from overseas markets such as Ethiopia. Order inflow had been weak during the beginning of the FY20 and has started to gain momentum from Q3FY'21. Acuité understands that order flow will regain normalcy from Q1FY'22 backed by constant improvement in the demand from the power sector. Hence, Acuité believes that the turnover levels of the company will improve over the medium term driven by increased order execution.

The company has reported steady profit margins both at the operating and net level historically. The operating margin of the company stood at 17.11 percent in FY20 as compared to 17.02 percent in FY19. The profit after tax (PAT) margins of the company stood at 10.16 percent in FY20 as against 7.58 percent in the preceding year. The profitability margin will continue to remain strong in FY21 too as LIL has posted EBITDA margin of about 16 percent during 9MFY21. Acuité believes that the company would be able to sustain its profit margins over the medium term given its experience and cost efficiencies.

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. 337.8 Cr. as on 31st March'2020 as compared to Rs 249.2 Cr. in the previous year. The gearing of the company stood at 0.68 times as on 31st March 2020 as against 0.59 times as on 31st March, 2019 driven entirely by an increase in working capital borrowings in line with the increased scale of operations of the company. TOL/TNW stood at 1.08 times in FY20 as against 1.17 times in FY19. Debt level as on 31 March 2020 included short term borrowing of Rs. 226.6 Cr., negligible long term loan of Rs.1.4 Cr and unsecured loan of 0.48 Cr. LIL continued to report a strong interest coverage ratio of 5.16 times as on 31st March, 2020 as against 5.71 times as on 31st March, 2019. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.44 times in FY2020 as compared to 0.45 times in the previous year. 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.

Weaknesses

Working capital intensive operations

The operations of the company are highly working capital intensive as reflected from its Gross Current Asset (GCA) days. The GCA days stood high at 223 days in FY20 as against 138 days in FY19 because of increased debtor days. In FY20, the company had witnessed stretched receivables from state government utilities whose liquidity position had been aggravated further by the nationwide lockdown during Q4FY20 and H1FY21. Inventory days stood at 28 days in FY20 as against 30 days in FY19. Acuité believes the working capital management of the company will remain at similar levels over the medium term.

Rating Sensitivity

- Significant and sustainable growth in revenues while maintaining profitability
- Any deterioration in working capital intensity

Material Covenant

None

Liquidity Profile: Superior

The company has superior liquidity profile as reflected from low utilization of its fund based limits which stood at 44 percent during last 12 months ended January 2021. The company maintained high unencumbered cash & cash equivalent of around Rs 32 Cr as on 31 March 2020. The net cash accruals of the company stood strong at around Rs. 99 Cr. in FY2020 as against minimal loan obligations of only Rs 0.48 Cr. Going forward, the cash accruals are expected to be in the range of Rs. 66-92 Cr as compared to loan repayments of around Rs. 5 Cr. from FY2022-23. The current ratio of the company stood comfortable at 1.79 times as on March 31, 2020 as

against 1.53 times as on March 31, 2019. However working capital requirement of the company had increased as reflected from its GCA days of 223 days in FY20 as against 138 days in FY19. 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

Acuité believes the outlook on LIL rated facilities will remain 'Stable' over the medium term backed by its long track record of operations, robust financial risk profile and superior liquidity profile. The outlook may be revised to 'Positive' if the company reports substantial growth in revenues and penetrates into newer geographies. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	932.93	820.12
PAT	Rs. Cr.	94.80	62.14
PAT Margin	(%)	10.16	7.58
Total Debt/Tangible Net Worth	Times	0.68	0.59
PBDIT/Interest	Times	5.16	5.71

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
17 January 2020	Cash Credit	Long Term	153.28	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	355.00	ACUITE A1+ (Re-affirmed)
	Letter of Credit/Bank Guarantee	Short Term	63.00	ACUITE A1+ (Re-affirmed)
11- November-2019	Cash Credit	Long Term	153.28	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+ (Upgrade)

	Bank Guarantee	Short Term	355.00	ACUITE A1+ (Upgrade)
	Letter of Credit/Bank Guarantee	Short Term	63.00	ACUITE A1+ (Upgrade)
07- May - 2019	Cash Credit	Long Term	103.28	ACUITE A+/Stable (Re-affirmed)
	Cash Credit	Long Term	30	ACUITE A+/Stable (Assigned)
	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)
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. Crores)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	51.50	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.03	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A+/Stable (Re-affirmed)

Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	30	ACUITE A+/Stable (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A+/Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.92	ACUITE A+/Stable (Re-affirmed)
Purchase Bill discounting	Not Applicable	Not Applicable	Not Applicable	17.65	ACUITE A+/Stable (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	13.80	ACUITE A+/Stable (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	32.50	ACUITE A1+ (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	153.00	ACUITE A1+ (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A1+ (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.90	ACUITE A1+ (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	22.75	ACUITE A1+ (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	86.10	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.35	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A1+ (Re-affirmed)

Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A1+ (Re-affirmed)
Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A1+ (Re-affirmed)

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About Acuité Ratings & Research:

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