

Press Release

Lumino Industries Limited

July 22, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	176.10	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	186.52	-	ACUITE A1+ Assigned
Bank Loan Ratings	43.94	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	553.44	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	960.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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. 729.54 Cr. bank facilities of Lumino Industries Limited (LIL). The outlook is 'Stable'. Acuite has assigned 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. 230.46 Cr. bank facilities of Lumino Industries Limited (LIL). The outlook is 'Stable'.

The ratings continue to reflect the robust financial risk profile and superior liquidity profile of LIL because of low dependence on external debt and high cash & cash equivalents. The ratings also factor in the company's established presence in the power cables and conductors business and related EPC segment. Moreover the outstanding order book of Rs 603 Cr provides near to medium revenue visibility. These strengths are partly offset by decline in scale of operation and profit margin during last two years on account of lower order inflow in power sector. However state owned discoms are expected to undertake large capex plan to improve its infrastructure in current fiscal year which will improve the overall order flow in power sector.

About the Company

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). LIL 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

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power sector where it lays down transmission and distribution lines and constructs power substations.

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/Stable/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 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.

Expected improvement in order flow

The company has an outstanding order book of about Rs 603 Cr. consisting of Rs 178 Cr. from EPC contracts, Rs 395 Cr. from manufacturing of cables and conductors and Rs 29 Cr of orders are in L1 Position as on June 2022. The outstanding order book currently has 93 percent of orders from domestic market and remaining portion from overseas markets such as Ethiopia. Order inflow has started to pick up pace since the beginning of the current fiscal as company has bagged fresh orders worth of Rs 183 Cr in Q1FY23. In addition, company has orders in pipeline of Rs 1427 Cr. Further the company is planning to submit bids worth of 5992 Cr under GOI's revamped distribution sector scheme within next two quarters. This will improve the order book position in near term and reduce the geographical concentration.

The company has witnessed moderate scale of operation as revenue stood at Rs 548 Cr in FY22(Provisional) as against Rs 538 Cr in FY21 and Rs 933 Cr in FY20. The company had witnessed low order flow during last two years because of pandemic outbreak. Acuité believes that the turnover levels of the company will improve over the medium term driven by improvement in order flow in power sector.

Robust financial risk profile

The robust financial risk profile of LIL is marked by its healthy net worth, low gearing and strong debt protection metrics. The net worth stood at Rs. 329.97 Cr. as on 31st March'2022(Provisional) as compared to Rs 296.71 Cr. in the previous year. The gearing of the company stood at 0.42 times as on 31st March 2022(Provisional) as against 0.61 times as on 31st March, 2021. TOL/TNW stood at 1.0 times in FY22(Provisional) as against 1.52 times in FY21. The company has low dependence on external debt as reflected from its minimal utilization of working capital limits. LIL continued to report a strong interest coverage ratio of 3.57 times as on 31st March, 2022(Provisional) as against 2.45 times as on 31st March, 2021. DSCR also stood strong at 2.35 times in FY22(Provisional) as against 2.22 times in FY21. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.24 times in FY2022(Provisional) as compared to 0.20 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.

Steady profit margin

The company has steady profit margin as operating margin stood at 11.08 percent in FY22(Provisional) as against 11.70 percent in FY21. However the company had witnessed a decline in FY21 because of high input costs which couldn't be passed entirely to end customers. Currently the majority of EPC contracts carries price variation clause which partially mitigate price fluctuation risk. Acuite believes the profit margin will improve over the medium term backed by absorption of fixed overheads with better margins in EPC contracts.

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 359 days in FY22(Provisional) as against 398 days in FY22 because of reduction in debtor days to 214 days from 247 days in FY21. In FY22, the company had witnessed stretched receivables from state-owned entities. Inventory days stood at 97 days in FY22 as against 116 days in FY21. Acuite believes the working capital management of the company will remain at similar levels over the medium term.

Rating Sensitivities

- Significant and sustainable growth in revenues with improvement in profitability margin
- Strong order book along with moderate geographical concentration

Material covenants

None

Liquidity profile: Adequate

The company has superior liquidity profile as reflected from low utilization of its fund based limits which stood at 42 percent during last 6 months ended May 2022. The company maintained high unencumbered cash & cash equivalent of Rs 21 Cr as on 31 March 2022(Provisional). The net cash accruals of the company stood strong at around Rs. 38 Cr. in FY2022(Provisional) as against loan obligations of only Rs 6.38 Cr. Going forward, the cash accruals are expected to be in the range of Rs. 92-98 Cr as compared to loan repayments of around Rs. 8 Cr. from FY2023-24. The current ratio of the company stood comfortable at 2.03 times as on March 31, 2022 as against 1.66 times as on March 31, 2021. However working capital requirement of the company stood high as reflected from its GCA days of 359 days in FY22(Provisional). Acuite 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 financial risk profile and superior liquidity profile. The outlook may be revised to 'Positive' if the company reports substantial growth in revenues along with significant improvement in profit margin. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operation or profit margin because of slow execution of orders.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	548.37	538.16
PAT	Rs. Cr.	33.33	30.87
PAT Margin	(%)	6.08	5.74
Total Debt/Tangible Net Worth	Times	0.48	0.61
PBDIT/Interest	Times	3.57	2.45

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Apr 2021	Bills Discounting	Long Term	5.92	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	22.75	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	24.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	86.10	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	16.35	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	8.03	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.90	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Reaffirmed)
	Bills Discounting	Long Term	17.65	ACUITE A+ Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	18.75	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	27.50	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	153.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE A+ Stable (Reaffirmed)

	Proposed Cash Credit	Long Term	30.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	51.50	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE A+ Stable (Assigned)
	Letter of Credit	Short Term	32.50	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A+ Stable (Reaffirmed)
	Bills Discounting	Long Term	13.80	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	9.75	ACUITE A1+ (Reaffirmed)
		Short		
17 Jan 2020	Letter of Credit	Term	80.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	355.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	63.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	153.28	ACUITE A+ Stable (Reaffirmed)
	Bills Discounting	Long Term	19.72	ACUITE A+ Stable (Reaffirmed)
11 Nov 2019	Letter of Credit	Short Term	63.00	ACUITE A1 (Upgraded from ACUITE A1)
	Bills Discounting	Long Term	19.72	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	355.00	ACUITE A1 (Upgraded from ACUITE A1)
	Cash Credit	Long Term	153.28	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	80.00	ACUITE A1 (Upgraded from ACUITE A1)
07 May 2019	Bills Discounting	Long Term	19.72	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	325.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A+ Stable (Assigned)
	Letter of Credit	Short Term	63.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	80.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	103.28	ACUITE A+ Stable (Reaffirmed)
16 Oct 2018	Cash Credit	Long Term	103.28	ACUITE A+ Stable (Assigned)
	Letter of Credit	Short Term	127.00	ACUITE A1 (Assigned)
	Bills Discounting	Long Term	19.72	ACUITE A+ Stable (Assigned)
	Bank Guarantee	Short Term	276.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	65.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A1+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1+ Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	153.00	ACUITE A1+ Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE A1+ Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.46	ACUITE A1+ Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	41.52	ACUITE A1+ Assigned
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	24.10	ACUITE A1+ Reaffirmed
IDFC First Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	36.13	ACUITE A1+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	50.90	ACUITE A1+ Reaffirmed
Exim Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A1+ Assigned
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE A1+ Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A1+ Reaffirmed
RBL Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.35	ACUITE A1+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A1+ Reaffirmed

RBL Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	17.23	ACUITE A+ Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE A+ Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	51.50	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A+ Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.87	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A+ Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A+ Stable Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1+ Reaffirmed

Punjab and Sind Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1+ Assigned
Canara Bank	Not Applicable	Term Loan	22-03-2022	7.950	22-02-2026	9.25	ACUITE A+ Stable Reaffirmed
RBL Bank	Not Applicable	Term Loan	30-04-2022	8.10	30-03-2026	5.77	ACUITE A+ Stable Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	30-09-2021	8.10	30-09-2025	16.17	ACUITE A+ Stable Assigned
Yes Bank Ltd	Not Applicable	Term Loan	30-09-2021	8.450	30-10-2025	1.00	ACUITE A+ Stable Assigned

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