

Press Release
Lumino Industries Limited

March 14, 2023



Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.18	ACUITÉ A Stable Assigned	-
Bank Loan Ratings	220.00	ACUITÉ A Stable Downgraded	-
Bank Loan Ratings	27.82	-	ACUITÉ A1 Assigned
Bank Loan Ratings	740.00	-	ACUITÉ A1 Downgraded
Total Outstanding Quantum (Rs. Cr)	1000.00	-	-

Rating Rationale

Acuite has **downgraded the long-term rating to 'ACUITÉ A' (read as ACUITÉ A) from 'ACUITÉ A+' (read as ACUITÉ A Plus) and also downgraded the short-term rating to 'ACUITÉ A1' (read as ACUITÉ A one) from 'ACUITÉ A1+' (read as ACUITÉ A one plus)** on the Rs. 960.00 Cr. bank facilities of Lumino Industries Limited (LIL).

Acuite has **assigned the longterm rating of 'ACUITÉ A' (read as ACUITÉ A) and short-term rating of 'ACUITÉ A1' (read as ACUITÉ A one)** on the Rs. 40.00 Cr. bank facilities of Lumino Industries Limited (LIL).

The outlook is **'Stable'**.

Rating Rationale

The rating downgrade factors in the deterioration in the business risk profile of the company marked by significantly lower than expected revenue till 11MFY2023 (prov) along with a declining trend in profitability for the past 3 years which is estimated to further moderate in the current financial year. The company has achieved a turnover of around ~Rs. 540.35 Cr (Provisional) till Feb'23 and is expected to close the year at ~Rs. 750.00 Cr. as against their previous estimations of over ~Rs. 900 Cr. The sharp deviation in their performance vis-à-vis their earlier projections have been due to the manufacturing division contributing to the majority of their sales. The increased proportion of manufacturing sales have further led to a dip in their profit margins as the profitability is weaker than that in the EPC division.

However, the ratings favourably factor in LIL's healthy order book position providing strong medium-term revenue visibility buoyed by strong execution capabilities. The financial risk profile has remained healthy, with gearing below unity and comfortable debt coverage indicators, because of the consistent increase in the network, and healthy cash accruals over the years. The strong liquidity position of the company, which is reflected in strong current ratio and healthy accruals, also provides reassurance to the rating. The rating also factors in reputed client profile of the company supported by healthy and sustained volume growth in production, coupled with increase in product prices and increasing demand in the industry, coupled with government thrust in the infrastructure segment.

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 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

Established market position

The company has a long track record of three decades in the aluminum conductors and power cable manufacturing business. 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+), North Bihar Power Distribution Company Limited and South 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.

Order Book build-up, improvement likely in FY24

The company has an outstanding order book of about Rs 2817.89 Cr. consisting of Rs 172.56 Cr. from manufacturing of cables and conductors and Rs 2645.33 Cr. from EPC contracts. Further, EPC orders worth Rs 361.99 Cr of orders are in L1 Position as on February 2023. Further, the company is planning to submit more bids under Gol's revamped distribution sector scheme within the last quarter. Major portion of EPC orders has an escalation clause which helps the company to mitigate the price fluctuation risk. Additionally, LIL has developed a reasonable global footprint in recent years and its revenue mix is diversified across geographies with international sales accounting for ~ 10 per cent of the total revenues in FY2022.

Notwithstanding the improvement in the scale of operations in FY2022 and 11MFY2023, the company's scale of operations continues to be moderate. The scale of operation improved as revenue stood at Rs 604.01 Cr in FY22 as against Rs 527.00 Cr in FY21. But the increasing share of the manufacturing business (53.93%) in the revenue mix moderated the EBITDA margin in FY22, given their weaker margin profile compared to the project segment. Acuité expects some moderation in the profit margins in FY23 as the company is expected to maintain a revenue mix with a higher share of manufacturing business and a scaled-down EPC business in the current year. Acuité believes company will post strong revenue growth in FY24 on account of strong execution of outstanding orders.

Healthy financial risk profile

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and debt protection metrics. The tangible net worth of the company improved to Rs.336.97 Cr as on March 31, 2022 from Rs.296.71 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the company stood comfortable below unity at 0.65 times as on March 31, 2022 as compared to 0.61 times as on March 31, 2021, although there was some increase in the debt levels in FY2022 due to the higher working capital requirements. Acuité notes that the company has been regularly incurring capex in the last few years for improving efficiency. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) declined to 1.02 times as on 31st March, 2022 as against 1.53 times as on 31st March, 2021. Moreover, with improved PAT levels in FY2022, the coverages improved with Interest Coverage Ratio at 3.37 times and Debt Service coverage ratio at 2.49 times as on 31st March, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on 31st March, 2022. Acuité expects the leverage and coverage indicators to remain healthy in FY23 and improve over the medium term further on the back of lower gross working capital cycle with increasing contribution of manufacturing segment to total revenues and thus lower debt levels.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company has marginally improved in FY22, although marked by Gross Current Assets (GCA) of 320 days in 31st March 2022 as compared to 404 days on 31st March 2021 with increased efficiencies in debtor and inventory management. The working capital intensity remains inherently high in the EPC business due to the long execution period of projects, milestone-based payments and the retention money requirement that is released post the defect liability period. Even though the debtor days have improved from 272 days as on 31st March 2021, it is still high at 211 days as on 31st March 2022 since the receivables include retention money of projects also given the preponderance of government clients. Most of the state power utility contracts have payments terms of 60 per cent within 30 days of supply, 30 per cent after installation and 10 per cent to be released after expiry of guarantee period. LIL has back-to-back arrangement with its sub-contractors for few projects. Consequently, part of the retention money is funded by way of stretching the creditors. However, the inventory period improved to 47 days on 31st March 2022 as compared to 118 days on 31st March 2021. The inventory levels of the company have been historically high owing to the lengthy order execution cycle, which entails multiple inspections at various stages of execution. Acuité expects working capital cycle to improve going forward in FY23, with the release of retention money and receivables from the EPC division along with a shorter working capital cycle in the manufacturing division.

Rating Sensitivities

- Growth in revenues along with improvement in profitability margins
- Any elongation in the receivable period and further straining the working capital cycle will remain a key monitorable
- Reduction in order flow

Material covenants

None

Liquidity Position: Strong

The company's liquidity is strong marked by steady net cash accruals of Rs.45.18 Cr as on March 31, 2022 as against long term debt repayment of only Rs.6.39 Cr over the same period. The current ratio stood strong at 2.08 times as on March 31, 2022 as compared to 1.69 times as on March 31, 2021. Further, during the six months ended December 2022, the company's monthly average utilisation of the fund-based limits was merely 39 per cent and that of non-fund-based limits was 50.50 per cent. Further, the management expects further reduction in receivables in FY23, largely relating to unwinding of EPC retention money. However, working capital intensive management of the company is marked by Gross Current Assets (GCA) of 320 days on 31st March 2022 as compared to 404 days on 31st March 2021. The company had already incurred Rs. 15 Cr capex plans during FY2023 to enhance the manufacturing capacity

of Cable unit, which will be funded entirely through internal accruals and surplus cash, yet the liquidity position is expected to remain comfortable. Acuité believes that going forward the company will continue to maintain adequate liquidity position owing to steady accruals backed by improvement in earnings led by high demand.

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, healthy financial risk profile and strong liquidity profile. The outlook may be revised to 'Positive' if the company reports substantial growth in turnover 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	604.01	527.00
PAT	Rs. Cr.	39.35	30.87
PAT Margin	(%)	6.52	5.86
Total Debt/Tangible Net Worth	Times	0.65	0.61
PBDIT/Interest	Times	3.37	2.46

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jul 2022	Letter of Credit	Short Term	5.25	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	24.10	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE A+ Stable (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	18.75	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	36.13	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	26.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	41.52	ACUITE A1+ (Assigned)
	Bills Discounting	Long Term	17.23	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	16.17	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	1.87	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A+ Stable (Assigned)
	Bank Guarantee	Short Term	153.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	75.00	ACUITE A1+ (Assigned)
	Bank Guarantee	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	5.77	ACUITE A+ Stable (Assigned)
	Bank Guarantee	Short Term	9.75	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	24.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	27.50	ACUITE A1+ (Reaffirmed)
		Short		

	Bank Guarantee	Term	16.35	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	51.50	ACUITE A+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	60.00	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A1+ (Assigned)
	Term Loan	Long Term	9.25	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	11.50	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	50.90	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	0.46	ACUITE A1+ (Reaffirmed)
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)
17 Jan 2020	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)
	Letter of Credit	Short Term	80.00	ACUITE A1+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.50	ACUITE A1 Downgraded
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Downgraded
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	65.00	ACUITE A1 Downgraded
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	195.02	ACUITE A1 Downgraded
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Downgraded
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A1 Downgraded
Exim Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A1 Downgraded
Punjab and Sind Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A1 Downgraded
RBL Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	17.23	ACUITE A Stable Downgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A Stable Downgraded
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.50	ACUITE A Stable Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A Stable Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A Stable Downgraded
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.87	ACUITE A Stable Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.75	ACUITE A Stable Downgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	51.50	ACUITE A Stable Downgraded
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A Stable Downgraded
IDFC First Bank Limited	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	16.13	ACUITE A Stable Downgraded

Yes Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A Stable Downgraded
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	9.25	ACUITE A Stable Downgraded
RBL Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.77	ACUITE A Stable Downgraded
IDFC First Bank Limited	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	12.18	ACUITE A Stable Assigned
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	36.13	ACUITE A1 Downgraded
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Downgraded
Punjab and Sind Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1 Downgraded
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1 Downgraded
RBL Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.35	ACUITE A1 Downgraded
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1 Downgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A1 Downgraded
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A1 Downgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	27.82	ACUITE A1 Assigned

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About Acuité Ratings & Research

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