



Press Release
New Laxmi Steel And Power Private Limited
May 24, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	90.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs. 90.00 Cr. bank facilities and has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs. 20.00 Cr. bank facilities of New Laxmi Steel and Power Private Limited (NLSPPL). The outlook remains '**Stable**'.

Rationale for the rating

The rating reaffirmation takes into account note the healthy augmentation in the revenues of the company to Rs. 388.43 crore in FY23 from Rs. 299.49 crore in FY22. Further, in FY2024, the company has reported revenues of Rs. 469.00 Cr. (provisional). The ratings also take of NLSPPL's strong business position as reflected from its integrated nature of operations in the steel sector and a stable brand presence in the TMT segment. Further, it is also supported by the management's long track record in the sector, above average financial position characterized by strong debt coverage indicators and moderate working capital management. These strengths are, however, partly offset by the cyclical nature of the steel industry and the volatility in commodity prices.

About the Company

Incorporated in 2007, New Laxmi Steel and Power Private Limited (NLSPPL) is promoted by Mr. Pawan Kumar Gupta and Mr. Rahul Agarwal in Odisha. The company is engaged in the manufacturing of sponge iron, billets and TMT bars. Its manufacturing capacity stands at 102200 MTPA of Sponge Iron, 29700 MTPA of Billet and 60000 MTPA of TMT. The TMT bars are primarily traded under the brand name 'Kamdhenu TMT', and a few are traded under the brand name 'Perfect TMT'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of New Laxmi Steel

and Power Private Limited while arriving at the rating.

Key Rating Drivers

Strengths

Established track record along with experienced management

The company has an established track record in the iron and steel industry for more than 17 years. Further, the key promoter of the company, Mr. Pawan Kumar Gupta has an experience of around two decades in the iron and steel industry. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. Acuité derives comfort from the long experience of the promoter.

Strong business risk profile supported by integrated nature of operations and locational advantage

The strong business risk profile of the company is supported by the integrated nature of operations of the company; this enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent. Also, the revenue of the company has improved to healthy rate of 29.70% to Rs. 388.43 crore in FY23 from Rs. 299.49 crore in FY22. In FY2024, the company has reported revenues of Rs. 469.00 Cr. (provisional). Acuité believes that the sustainability in the revenue growth would be a key monitorable going forward. In addition to this, the company has a locational advantage as the plants are located in the industrial area of Odisha, which is in close proximity to various steel plants and sources of raw materials.

Above average Financial risk profile

The financial risk profile of the firm is moderate marked by moderate net worth, moderate gearing, and comfortable debt protection metrics. The operating profit margin of the company stood at 5.92% in FY24 as compared to 5.74% in FY23 and 5.87% in FY22. The PAT margins of the company also stood at 2.88% in FY24 as compared to 2.80% in FY23 and 3.05% in FY22.

The tangible net worth of the firm increased to Rs. 53.46 crore as on March 31, 2023 from Rs. 49.77 crore in March 31, 2022. The total debt of the firm stood at Rs. 72.71 Cr. as on March 31, 2023 as against Rs. 70.15 crore in March 31, 2022. The debt profile of the firm comprises of Rs. 11.58 crore of unsecured loans, and Rs. 1.25 crore of long-term loans and the Rs.58.90 crore of short-term borrowings of cash credit as on March 31, 2023. The capital structure of the entity remains comfortable with the gearing of 1.36 times in FY23 (as against 1.81 times in FY22). The TOL/TNW improved at 2.05 as on March 2023 as against 1.83 times as on March 2022 and 2.16 times as on March 2021. The debt protection metrics moderated as reflected with an increased interest cost in FY2023 as reflected by debt service coverage ratio of by 1.35 times in FY23 compared to 1.92 times in FY22 and interest service coverage ratio declined and 3.78 times in FY23 compared to 5.26 times in FY 22.

Weaknesses

Moderate working capital cycle

The working capital cycle is moderate marked by lower GCA of 121 days and 127 during FY23 and FY22 respectively. The inventory days stood stable at 77 days in FY23 and 88 in FY22. Further, the debtor days stood at around 11 days in FY23 against 14 days in FY22. The creditor days of the firm stood at 22 days for FY23 compared against 14 days for FY22.

Cyclical nature of the industry

Steel consumption is majorly dependent on the economic activities taking place in and around the country. The end-user industry being Infrastructure and Real Estate, any significant slowdown in these industries will affect the revenues of steel players. Further, NLSPL competes with various players in the organized and unorganized segments in the steel industry, thus

limiting the pricing power.

Rating Sensitivities

- Sustainable increase in the revenues coupled with improvement in the profit margins
- Elongation of working capital cycle or any debt funded capex impacting the overall credit profile

Liquidity Position

Adequate

The liquidity position of the firm remains adequate as reflected by net cash accruals of Rs. 12.96 crore in FY 23 against a repayment obligation of Rs.0.98 Cr. The company had a cash balance of Rs. 12.18 crore as on March 31, 2023. Further, the utilisation of fund based and non fund based limits stood at an average of 80%. The current ratio stood at 1.34 times in FY23 as against 1.30 times in FY22.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position and above average financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	388.43	299.49
PAT	Rs. Cr.	10.86	9.13
PAT Margin	(%)	2.80	3.05
Total Debt/Tangible Net Worth	Times	1.36	1.81
PBDIT/Interest	Times	3.78	5.26

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>
- 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, Acuite 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
30 Apr 2024	Cash Credit	Long Term	55.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Reaffirmed)
01 Feb 2023	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	38.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Assigned)
15 Jun 2022	Cash Credit	Long Term	33.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	5.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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