

## Press Release

Lords Infracon Private Limited

January 19, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.88	ACUITE BB-   Stable   Assigned	-
Bank Loan Ratings	35.12	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	52.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 52.00 Cr bank facilities of Lords Infracon Private Limited (LIPL). The outlook is '**Stable**'.

### Rationale for the rating

The rating draws comfort from the experienced management and above average financial risk profile characterized by comfortable gearing. However, the rating remains constrained by the modest scale of operations of LIPL and working capital intensive nature of operations of the company marked by high debtor period. Further, the rating is also constrained by the geographical concentration risk of the company and highly competitive nature of the industry.

### About the Company

Incorporated in 2014, Lords Infracon Private Limited (LIPL) is a Jamshedpur based company, primarily involved in civil construction works mainly for water resource department for Government of Jharkhand. The entity was started as a sole proprietorship in 2000 in the name of Mr. Mahendra Gope and the constitution was changed in 2014 under its current name. Currently, the company is headed by promoter director Mr. Mahendra Gope, Mrs Urmila Devi and Nilamber Kumar.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of LIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management and healthy order book position

The key promoter of LIPL, Mr. Mahendra Gope, has been in the civil construction industry for over two decades. The long standing experience has been through the erstwhile proprietorship concern. In addition to this, the company has a healthy order book position as on 31st March, 2022 to the tune of Rs.146.29 Cr, thus providing comfortable revenue visibility over the medium term. Acuite derives comfort from the long experience of the promoter in the civil construction space and healthy order book position.

- **Above average financial risk profile**

The company's above financial risk profile is marked by modest networth, comfortable gearing and moderate debt protection metrics. The tangible networth of the company increased to Rs 21.57 Cr as on March 31, 2022 from Rs 18.46 Cr as on March 31, 2021 due to accretion of profits. Gearing of the company improved to below unity at 0.89 times as on March 31, 2022 as against 1.16 times as on March 31, 2021. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 1.93 times as on March 31, 2022 as compared to 2.23 times in the previous year. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio of 4.62 times and Debt Service Coverage Ratio at 1.06 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on March 31, 2022 as against 0.19 times as on March 31, 2021. Acuite believes that going forward the financial risk profile of the company will remain at the same level over the medium term.

## **Weaknesses**

- **Modest scale of operations and geographical concentration risk**

The company has reported a revenue of Rs.43.08 Cr as on March 31, 2022 as compared to Rs.50.51 Cr in FY 2021 and Rs.83.62 Cr in FY2020. The revenue declined majorly due to the pandemic. Further, the company reported a revenue of around Rs.24.48 Cr for the six months ended September'22 (Prov). The company is also exposed to geographical concentration risk due to high dependence on the Government of Jharkhand. However, this risk is mitigated to certain extent as the company has an on-going order in hand from the Government of Odisha which shall be executed in the next three years.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high GCA days of 267 days in FY2022 as compared to 234 days in FY2021. The high level of GCA days is on account of high debtor periods which stood at 186 days as on March 31, 2022 as compared to 151 days in the previous year. The debtor days are high as they majorly execute contracts for the state government of Jharkhand from where the contract proceeds are generally delayed. However, the inventory days remained comfortable at 10 days as on March 31, 2022 as against 8 days in the previous year. Going forward, Acuite believes that operations would remain working capital intensive mainly due to high debtor period.

- **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the company.

## **Rating Sensitivities**

- Sustainability in their growth in the scale of operations while maintaining profitability margins.
- Elongation of working capital cycle
- Reduction in order flow

## Material covenants

None.

## Liquidity Position

### Stretched

The company's liquidity is stretched marked by net cash accruals of Rs 3.52 Cr as on March 31, 2022 as against long term debt repayment of Rs 3.26 Cr over the same period. Further, the fund based limit remained utilized at 82 per cent for the six-months ended September 2022. The current ratio stood moderate at 1.09 times as on March 31, 2022 as compared to 1.16 times as on March 31, 2021. The encumbered deposits with the bank stood at Rs 16.59 Cr as on March 31, 2022. Moreover, the working capital intensive nature of operations is marked by high GCA days of 267 days as on March 31, 2022 as compared to 234 days as on March 31, 2021. Acuite believes that going forward the liquidity position would remain stretched due to low accruals.

### Outlook: Stable

Acuite believes the company's outlook will remain 'stable' over the medium term on account of experience of the promoters, long track record and healthy order book position. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	43.08	50.21
PAT	Rs. Cr.	1.80	2.08
PAT Margin	(%)	4.17	4.14
Total Debt/Tangible Net Worth	Times	0.89	1.16
PBDIT/Interest	Times	4.62	3.97

## 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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](http://www.acuite.in).

**Rating History:**  
Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+   Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.12	ACUITE A4+   Assigned
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.88	ACUITE BB-   Stable   Assigned

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### About Acuité Ratings & Research

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