

Press Release
LORDS INFRACON PRIVATE LIMITED
August 19, 2023

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	20.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	7.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	45.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	72.00	-	-

Rating Rationale

Acuite has reaffirmed 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'.

Also, Acuite has assigned the long term rating of 'ACUITE BB-' (read as ACUITE double B minus) on the Rs. 20.00 Cr bank facilities of Lords Infracon Private Limited (LIPL). The outlook is 'Stable'.

The financials for FY2023 are Provisional.

Rationale for rating

The rating takes into account the established operations of the company with experienced management. The rating also factors in the improvement in scale of operations and marked by increase in revenues to Rs.83.67 Cr. in FY23 as against Rs.43.15 Cr in FY22 majorly on account of healthy order inflows and higher project executions during the period. The company has an unexecuted order book position of Rs.167.00 Cr. as on date. Furthermore, the operating profit margin of the company improved to 12.60% in FY23 as against 11.38% in FY22 due to lower input costs. However, the rating remains constrained on account of stretched liquidity position marked by fully utilisation of its fund based working capital limits owing to working capital intensive nature of operations. Furthermore, the financial risk profile of the company remains average with moderate networth and gearing levels.

About the Company

Incorporated in 2014, Lords Infracon Private Limited (LIPL) is a Jamshedpur based company, primarily involved in civil construction projects for Government of Jharkhand and Odisha for construction of dams, irrigation systems, canals among others. 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

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

Key Rating Drivers

Strengths

Established operations with experienced management and healthy order book position

The company was incorporated in 2014 reflecting an established operations for about a decade and the key promoter of the company Mr. Mahendra Gope have been in the civil construction industry for over two decades. The longstanding experience has been through the erstwhile proprietorship concern. In addition to this, the company has a healthy unexecuted order book of Rs.167 Cr. as on 31st March, 2023 providing adequate revenue visibility over the medium term. The order book mainly comprises of construction of irrigational canals and a few government quarters.

Acuité believes that LIPL will continue to benefit from its experienced management and healthy order book position

Improvement in scale of operations and profitability

The operations of the company recorded a healthy improvement in its performance with an Y-o-Y increase of ~94% in its revenue. The revenue of the company improved and stood at Rs. 83.67 Cr in FY23 as against Rs. 43.15 Cr in FY22. The improvement was majorly on account of higher execution of orders. However, the profitability of the company remained range bound with EBITDA margins at 12.60% in FY23 as against 11.38% in FY22 on account of lower input costs. Also, the PAT margins of the company stood at Rs. 4.27% in FY23 as against 4.17% in FY22.

Acuité believes that the company's revenue will continue to remain at the same level in the medium term and will continue to remain a key rating sensitivity.

Weaknesses

Average financial risk profile

The company's financial risk profile is average marked by modest networth, moderate gearing and debt protection metrics. The tangible networth of the company increased to Rs 30.64 Cr as on March 31, 2023 from Rs 21.57 Cr as on March 31, 2022 due to accretion of profits and conversion of USL from promoters into equity. The total debt of the company stood at Rs. 31.17 Cr in FY23 as against Rs. 19.23 Cr in FY22. The debt outstanding of the company in FY23 comprises of long-term debt of Rs.14.59 Cr, Rs. 2.19 Cr of unsecured loans from directors and Rs. 14.39 Cr. of short-term debt. The long term debt of the company increased in FY23 as the company borrowed additional loan for purchase of machineries. The gearing of the company deteriorated to 1.02 times as on March 31, 2023 as against 0.89 times as on March 31, 2022. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 1.94 times as on March 31, 2023 as compared to 1.93 times in the previous year. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio of 2.44 times and Debt Service Coverage Ratio at 1.68 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on March 31, 2023 as against 0.18 times as on March 31, 2022.

Acuité believes that the financial risk profile of the company will continue to remain average with no major debt funded capex.

Working Capital intensive in nature with elongated receivable days

The operations of the company are working capital intensive in nature due to its primary focus on government contracts. The GCA days of company improved yet remained high at 172 days for FY23 compared against 267 days for FY22. Despite improvement, the receivable days of the company remained high at 120 days for FY23 compared against 186 days for FY22. The inventory levels of the company stood at 5 days during the same period compared against

10 days for FY22. The creditor days of the company stood at 170 days for FY23 compared against 321 days for FY22. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the company is also fully utilized in last ten months ended July 2023.

Acuité believes that operations of the company would remain working capital intensive mainly due to a 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 leading to further stretch in liquidity profile

Material covenants

None

Liquidity Position Stretched

The liquidity position of the company remained stretched on account of fully utilized working capital limits led by working capital intensive nature of operations. Furthermore, the company has high GCA days of 172 days for FY23 compared against 267 days for FY22. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the company is also fully utilized almost fully in last ten months ended July 2023. The company is fully utilising its limits for the purchase of raw material for completion of the projects in Odisha and Jharkhand. However, the company generated net cash accruals of Rs. 5.44 crore in FY23 as against repayment obligations of Rs. 1.31 crore during the same period. The Company maintains a cash balance of Rs. 0.01 crore as on 31st March 2023. Acuité believes that the liquidity position of the company will continue to remain stretched on account of working capital intensive nature of operations and high reliance on working capital limits for its operations.

Outlook: Stable

Acuité 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	83.67	43.15
PAT	Rs. Cr.	3.57	1.80
PAT Margin	(%)	4.27	4.17
Total Debt/Tangible Net Worth	Times	1.02	0.89
PBDIT/Interest	Times	2.44	4.62

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>
- 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, 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
19 Jan 2023	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BB- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	5.12	ACUITE A4+ (Assigned)
	Working Capital Demand Loan	Long Term	1.88	ACUITE BB- 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 Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB- Stable Reaffirmed

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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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