



**Press Release**  
**LSN MINERALS PRIVATE LIMITED**  
**November 30, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	101.98	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	3.02	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	105.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and Short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 105.00 Cr. bank facilities of LSN Minerals Private Limited (LSNMPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into consideration the established track record of the company in executing baryte and coal mining contracts. The rating also factors in the new order received from Singareni Collieries company limited (SCCL) worth Rs.179 Cr expected to be executed in next 3 years indicating healthy revenue visibility. The rating also factors in the infusion of funds through equity share capital amounting Rs.5.82 Cr. and unsecured loan (USL) worth Rs.11.43 Cr by promoters in FY2024 and moderate financial risk profile. However, rating is constrained by working capital intensive nature of operations, geographical and customer concentration risk and susceptibility to inherent risk related to regulations in mining industry.

**About the Company**

Telangana Based, LSN Minerals Private Limited was incorporated in 2016. It is engaged in extraction of Coal Operations through Surface Miner. The company is currently engaged in evacuation of in site OB and extraction of coal operations through surface miner at Koyagudem mines located in Singareni coal belt area in Telangana. LSNMPL scope of works includes removal of overburden and extraction of the coal along with drilling, loading, transportation to the dump. The directors of this company are Mr. Nitin Joseph and Ms. Leena Joseph.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

## **Healthy order book**

LSNMPL has an adequate experience in execution of end-to-end services in mining operations and has experience in executing mining contracts and sub-contracting works accepted from reputed companies. Company has received new order worth Rs.179 Cr from Singareni Collieries company limited (SCCL) through back to back agreement with LSN-RPM-ONC (JV). Order is expected to be executed in next three years and company has already procured required equipment for execution of the contract. LSNMPL has already started its operations in July 2023 and has an healthy order book position, providing adequate revenue visibility over the medium term.

## **Moderate financial risk profile**

LSNMPL's financial risk profile is moderate marked by moderate capital structure and moderate coverage indicators. LSNMPL's net worth stood Rs.3.58 Cr as on March 31, 2023 as against Rs.2.45 Cr as on 31 March, 2022. The increase in net worth is majorly due to accretion of profits to the reserves. Debt-equity ratio stood at 1.21 times as on March 31<sup>st</sup> 2023 as against 1.88 times as on March 31<sup>st</sup> 2022 due to repayments of long term loans and no new loans availed during the period. However, debt equity is expected to increase to 2.62 times in FY2024 due to addition of new equipment loan for execution of SCCL order. Company has already infused Rs.5.82 Cr in the form of equity share capital and Rs.11.43 Cr in the form of unsecured loans in FY2024. Total outside liability/tangible net worth(TOL/TNW) stood at 3.73 times as on March 31<sup>st</sup> 2023 as against 7.09 times as on March 31<sup>st</sup> 2022. Interest coverage ratio stood comfortable at 1.73 times as on March 31, 2023 and 4.68 times as on March 31, 2022. The net cash accrual (NCA) to total debt (TD) is 0.32 times as on March 31, 2023 and 0.27 times as on March 31, 2022. DSCR stood at 1.52 times as on March 31, 2023 as against 3.52 times as on March 31, 2022.

Acuite believes that ability of the company to maintain a financial risk profile is key rating sensitivity as the company has debt funded capex plan in near to medium term.

## **Weaknesses**

### **Working capital intensive nature of operations**

LSNMPL's operations are moderately working capital intensive in nature as reflected by its gross current asset (GCA) days of 165 days in FY2023 as against 94 days in FY2022 and 245 days in FY 2021. GCA days are majorly driven by inventory days and debtors' days. The inventory days of the company stood at 40 days in FY2023 as against 9 days in FY2022 and 92 days in FY2021. Debtor days of the company stood at 42 days in FY2023 as against 46 days in FY2022 and 96 days in FY2021. Creditor days of the firm stood at 60 days in FY2023 as against 79 days in FY2022 and 277 days in FY2021. Moderate working capital management and moderate accruals lead to high utilization of its working capital limits at about 92.11 percent for four months ended October 2023.

Acuite believes that working capital operations of the company may continue to be moderately intensive over medium term.

### **High geographical concentration of risk**

LSNMPL operates primarily in Telangana state and all the order received are pertaining to SCCL leading to high customer and geographical concentration risk on revenue profile. Therefore, any negative development in area or SCCL would significantly hurt the overall operations of the company.

### **Susceptibility to inherent risk related to regulations in mining industry.**

Operational and regulatory risks in the mining industry have increased significantly in recent years. Regulatory actions have largely been to clamp down on illegal mining, and have included withholding of permits, and ban on export and mining. However, as LSNMPL is majorly working for State Government entities having long term contracts, the risk is moderated to a large extent.

## Rating Sensitivities

- Elongation in working capital cycle and delays in collecting receivables.
- Any geopolitical disturbances impacting the ongoing projects or order book of the company.
- Significant improvement in scale of operations while maintaining the profitability.

## All Covenants

None

## Liquidity Position: Adequate

LSNMPL's liquidity is adequate marked by comfortable cash accruals to its debt obligations. It reported cash accruals of Rs.1.38 Cr in FY2023, its accruals are expected in the range of Rs 4.83 to 7.05 Cr in FY2023-25 against its repayment obligations of Rs.5-11 Cr during the same period. The current ratio of the firm stands at 2.36 times and cash and bank balances stood at Rs.2.16 Cr as on March 31, 2023. Company's GCA days are around 165 days this makes company dependent on bank borrowing for working capital requirement, which stood at 92.11 percent for four months ended October 2023.

## Outlook: Stable

Acuité believes that the outlook of LSNMPL will remain 'Stable' over the medium term on account of the promoter's experience and established presence in the infrastructure industry along with healthy order book position. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or elongation of the working capital cycle; thereby resulting in deterioration in the financial risk profile or liquidity position of the company.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	16.58	15.44
PAT	Rs. Cr.	1.02	0.44
PAT Margin	(%)	6.16	2.84
Total Debt/Tangible Net Worth	Times	1.67	1.47
PBDIT/Interest	Times	4.66	3.54

### 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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 Available

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.02	ACUITE A4+   Assigned
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.80	ACUITE BB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	56.18	ACUITE BB   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	40.00	ACUITE BB   Stable   Assigned

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### About Acuité Ratings & Research

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