Press Release
LUCKY GLOBAL PROJECTS PRIVATE LIMITED
July 02, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB- | Stable | Assigned	-
Bank Loan Ratings	127.00	-	ACUITE A4 | Assigned
Total Outstanding Quantum (Rs. Cr)	177.00	-	-

Rating Rationale

ACUITE has assigned its long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** and short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the bank facilities Rs.177.00 Crore of Lucky Global Projects Private Limited (LGPPL). The outlook is **'Stable'**.

Rationale for Rating

The rating assigned takes into account the established track record of the company in the Engineering, Procurement and Construction (EPC) business and moderate order -book position (~Rs. 299 Crore as on date) which provides near term revenue-visibility. The rating also takes into consideration the moderate profitability reported by company as reflected by operating margins of 8.36% and net margins of 2.22% in FY2024 (P). The rating also takes into account low counterparty credit risk due to secured receivables as these are funded either by Line of Credit (LOC) scheme of Indian Government, or by grants/aid programs of international agencies like World Bank, Asian Development Bank etc. The rating also considers moderate capital structure of the firm as reflected by gearing of 1.11 times as on 31st March 2024 (P) and adequate debt-coverage indicators as reflected by interest coverage of 1.67 times as on March 31, 2024 (P). However, the rating is constrained by the worldwide EPC division's inherent unevenness and the uncertain order intake resulting from the order securing tendering process, which has caused significant revenue volatility in the last few years. In addition, the company's profitability is still vulnerable to strong competition in the project management services market and the risk of foreign exchange fluctuations resulting from receivables measured in foreign currencies. Furthermore, even though the debt coverage metrics are comfortable, the company relies heavily on non-fund based limits, particularly bank guarantees, which are susceptible to invocation given the difficult operating conditions in African nations. This makes it challenging to complete projects on time.

About the Company

Incorporated in 2021, Lucky Global Projects Private Limited is engaged in Engineering, Procurement and Construction (EPC). Company is into providing services to a worldwide clientele. The company is based in Noida, Delhi. The company offers a wide range of projects from Concept to Commissioning for Greenfield and Modernization / Conversion / Expansion / Rehabilitation, in the following fields - Power, Industry, Agriculture, Education, Infrastructure, Healthcare etc. The company operations are ISO certified, extending across Africa, Southeast Asia, and India. The directors of the company are Mr. Vinay Kumar Singh, Mr. Diwakar Mishra and Mr. Aashish Oberai.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Lucky Global Projects Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The company has a long track record of over a decade in the civil construction business with an established track record of project execution contracts in the African continent under Lines of Credit facility. Currently the company is managed by the directors of the company who are Mr. Vinay Kumar Singh, Mr. Diwakar Mishra and Mr. Aashish Oberai who has been associated with this industry for over three decades. The company gains from the promoters' extensive background and established foothold in Africa. Because of their thorough knowledge of the local business landscape, the promoters will be able to grow the company's operations and win new contracts.

Improvement in the scale of operations

The company witnessed an improvement in its scale of operations marked by an operating income of Rs.167.98 Crore in FY24 (P) Rs.92.61 Crore in FY23 and Rs.103.06 Crore in FY22. The company is following fluctuating trend in all three years due to the post covid impact. Further, the company yet to achieve the pre-covid level as the execution of the orders are slow due to the unavoidable external factors such as environmental clearance and amendment in the contracts.

The company is having an outstanding order book Rs.299.62 Crore as on date, out of which majority of the order book is expected to execute in FY25. Hence the order book available with the company is providing near term revenue visibility. Going forward, the ability of the company to bag new orders and timely execution of the existing orders will remain a key rating monitorable.

Further, the EBITDA Margins of the company stood at 8.36% in FY24(P) against 9.18% in FY23 and the PAT margins of the company stood at 2.22% in FY24P against 1.37% in FY23. The margins of the company are expected to remain in the same range due to streamlined order book received wherein the margins will be fetched more or less in the same range.

Going forward, the company is expected to achieved the top-line under the range of Rs.200 Crore supported by constant margins in near to medium term.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by net-worth which stood at Rs.53.34 Crore as on 31st March 2024 (P) against Rs.49.60 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves and treatment of unsecured loans as quasi equity. The total debt of the company stood at Rs.59.01 Crore as on 31st March 2024 (P) against Rs.55.96 Crore as on 31st March 2023. Further, the gearing of the company is moderate which stood at 1.11 times as on 31st March 2024 (P) against 1.13 times as on 31st March 2023. The coverage indicators of the company are also moderate reflected by interest coverage ratio and debt service coverage ratio of the company stood at 1.67 times and 1.32 times respectively as on 31st March 2024 (P) against 1.22 times and 1.22 times respectively as on 31st March 2023. The TOL/TNW ratio of the company improved which stood at 2.48 times as on 31st March 2024 (P) against 3.32 times as on 31st March 2023. The Debt-EBITDA margins of the company stood at 4.19 times as on 31st March 2024 (P) against 5.64 times as on 31st March 2023. Going forward, the financial risk profile of the company is expected to improve in near to medium term in the absence of any long term debt.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company is highly intensive marked by GCA days which stood at 340 days as on 31st March 2024 (P) against 613 days as on 31st March 2023. The bills on EPC business are mostly raised towards year end, resulting in skewed receivable cycle towards year end resulted into higher debtor days as on 31st March 2024 (P) which stood at 228 days against 534 days as on 31st March 2023. However, the total debtors of the company which stood at Rs.103.95 Crore as on 31st March 2024 (P), out of which Rs.47.66 Crore are not due and classified under WIP which resulted into higher debtor days for FY24 (P). The EPC business retains a naturally elevated working capital intensity, attributed to prolonged project execution timelines, payments tied to project milestones, and the release of retention money. Further, the inventory holding stood at 9 days in 31st March 2024 (P). On the other hand, the creditor days of the company stood at 186 days as on 31st March 2024 (P) against 398 days as on 31st March 2023.

Expose to Foreign Exchange risk
It is a tender-based business, indicating that majority of its revenues come from African nations, putting its export receivables at risk from foreign exchange fluctuations.

Exposure to intense competition and cyclicality in the EPC industry
LGPPL undertakes construction under the EPC model, where revenue and profitability depend on successful bidding. Competitive pressure and tender-based nature of business may continue to constrain scalability, pricing power and profitability. Though the business risk profile is expected to remain stable, backed by repeat orders from existing clients, revenue remains susceptible to economic cycles that impact the construction industry.

Rating Sensitivities

- Improvement in the scale of operations along with significant improvement in the profitability margins
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.
- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term

Liquidity Position

Adequate
The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.4.37 Crore as on 31st March 2024(P) against Rs.1.28 crore in the same period. Further, the current ratio of the company stood at 1.27 times as on 31st March 2024(P) against 1.20 times as on 31st March 2023. Going forward, the company is expected to generate net cash accruals under the range of against the debt repayment obligations under the range in near to medium term. The average bank limit utilization of fund based and non-fund based facilities stood at 90.97% in last seven months ended March 2024 and Bank guarantee utilization stood at 68.68% in last seven months ended March 2024.

Outlook: Stable

Acuité believes that LGPPL will continue to maintain a 'stable' outlook over the medium term due to its experienced management and established track record along with moderate order book position. The outlook may be revised to 'Positive', in case of higher than-expected revenues and profitability, while maintaining its capital structure and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case LGPPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	167.98	92.61
PAT	Rs. Cr.	3.73	1.27
PAT Margin	(%)	2.22	1.37
Total Debt/Tangible Net Worth	Times	1.11	1.13
PBDIT/Interest	Times	1.67	1.22

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, 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 :
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
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE A4 | Assigned
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A4 | Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A4 | Assigned
Canara Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE BB- | Stable | Assigned
Punjab National Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BB- | Stable | Assigned
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB- | 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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