



Press Release
Laxmi Enterprises
August 01, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	7.26	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	20.67	-	ACUITE A3+ Assigned
Bank Loan Ratings	19.07	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** and the short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.26.33 crore bank facilities of Laxmi Enterprises.

Acuite has assigned the long-term rating to **'ACUITE BBB' (read as ACUITE triple B)** and the short term rating to **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.23.67 crore bank facilities of Laxmi Enterprises.

The outlook is **'Stable'**.

Rationale for Rating

The rating reaffirmation is on account of improved operating and financial performance of the company marked by improved revenues, range bound margins and moderate financial risk profile. The revenue of the firm has improved to Rs.121.45 crore in FY2023 (Prov) as against Rs.74.76 crore in FY2022 driven by increase in the orders execution related to railways. The PAT margin has also improved to 5.98 per cent in FY2023 (Prov.) as compared to 5.57 per cent in FY2022. Further, the rating also takes into account, the moderate financial risk profile of the firm, marked by low gearing and comfortable debt protection metrics in FY2023 (Prov.) along with adequate liquidity position and efficient working capital management of the firm during the same tenure.

About the Company

Laxmi Enterprises; a Jharkhand based partnership firm was established in the year 2002, by Mr. Vikas Kumar Saw, Mr. Ashish Kumar Saw, Mrs. Lakhi Devi and Mrs. Sangeeta Devi. The firm is mainly into construction business related to railway track installation, approach roads, level crossings, staff quarters, and supply of ballast etc. The firm is a registered government contractor for South Eastern Railways, East Coast Railways, Steel Authority of India Limited, Iacon International Limited, among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of LE while arriving at the rating.

Key Rating Drivers

Strengths

>Long track record of operation and experienced management

Established in 2002 as a partnership firm and has a long track record of almost two decades in the railway infrastructure and construction business. The partners of the firm Mr. Vikas Kumar Saw, Mr. Ashish Kumar Saw, Mrs. Lakhi Devi and Mrs. Sangeeta Devi, possess two decades of experience in the business of construction. The firm has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

>Healthy financial risk profile

The financial risk profile of the firm stood healthy marked by moderate net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.29.75 crore as on 31 March 2023 (Prov) as against Rs.23.06 crore as on 31 March, 2022. The total debt of the firm for FY2023 (Prov) stood at Rs.27.41 crore includes Rs.14.43 crore of long-term debt, Rs.5.99 crore of short term debt, Rs.3.44 crore of unsecured loans and Rs.3.55 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood at 0.92 times as on 31 March, 2023 (Prov) as against 0.81 times as on 31 March, 2022. Interest Coverage Ratio stood at 8.40 times for FY2023 (Prov) as against 5.20 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.79 times in FY2023 (Prov) as against 1.74 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.40 times as on 31 March, 2023 (Prov) as against 1.47 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.41 times for FY2023 (Prov) as against 0.37 times for FY2022.

Acuité believes the financial risk profile of the firm will remain healthy on account of steady net cash accruals and no major debt funded capex plan.

>Improved Working Capital Management

The working capital management of the firm has improved marked by GCA days of 86 days in FY2023 (Prov) as against 133 days in FY2022. The debtor days stood at 49 days in FY2023 (Prov) as against 78 days in FY2022. The average credit period allowed to customers of 30-40 days. The creditor days stood at 33 days in FY2023 (Prov) as against 102 days in FY2022. The average credit period allowed by suppliers is 30-40 days.

Acuité expects the working capital management to remain efficient over the medium term.

>Moderate scale of operation coupled with healthy profitability margin

The revenue of the firm stood moderate at Rs.121.45 crore in FY2023 (Prov.) as compared to Rs.74.76 crore in the previous year. This improvement in revenue of the firm is mainly on account of increase in execution of railways related projects. Going forward, Acuité believes that the revenue of the company will increase over the near term on account of healthy un-executed order book of Rs.316.49 crore as on July 2023. The operating profitability margin of the firm stood healthy at 13.92 per cent in FY2023 (Prov.) as compared to 14.85 per cent in the previous year. Also, net profitability margin of the firm stood at 5.98 per cent in FY2023 (Prov.) as compared to 5.57 per cent in the previous year.

Weaknesses

Competitive and fragmented nature of industry coupled with tender based business

The firm is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The firm 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 firm has to make bid for such tenders on competitive prices; which may affect the profitability of the firm. However, this risk is mitigated to an extent as the firm is operating in this environment for the last twenty years.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Improvement in working capital cycle
- Sustenance of their conservative capital structure

Material covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.5.97-Rs.11.18 Crore from FY 2021- 2023 (Prov) against its maturing debt obligations in the range of Rs.2.70-3.55 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.14.12-17.88 crores against the maturing repayment obligations of around Rs.3.89-4.38 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 86 days in FY2023 (Prov) as against 133 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2023 (Prov). The current ratio stands at 2.10 times as on March 31, 2023 (Prov) as against 1.71 times as on March 31, 2022. The average bank limit utilization for the fund-based limits for past 07 months ending May 2023 is ~82% of the sanctioned amount. The average BG utilization is ~65 percent of the sanctioned amount.

Acuité believes the financial risk profile of the firm will remain healthy on account of steady net cash accruals and no major debt funded capex plan.

Outlook: Stable

Acuité believes the firm will maintain a 'stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management and established association with customers and suppliers along with healthy financial risk profile. The outlook may be revised to "Positive" in case the firm registers significant improvement in scale of operations while sustaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's scale of operations and profitability or capital structure, or in case of further elongation of the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	121.45	74.76
PAT	Rs. Cr.	7.26	4.16
PAT Margin	(%)	5.98	5.57
Total Debt/Tangible Net Worth	Times	0.92	0.81
PBDIT/Interest	Times	8.40	5.20

Status of non-cooperation with previous CRA (if applicable)

Care Ratings, vide its press release dated April 24, 2023 had denoted the rating to Laxmi Enterprises (LE) as 'CARE B+/Stable/A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 May 2022	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan	Long Term	0.73	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	18.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	1.10	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
11 Mar 2021	Proposed Bank Facility	Long Term	0.33	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	18.50	ACUITE A3 (Assigned)

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 Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.07	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3+ Assigned
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.67	ACUITE A3+ Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.53	ACUITE BBB Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	0.73	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.