



Press Release
Laxmi Enterprises
January 03, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.74	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	10.26	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	12.26	-	ACUITE A3 Assigned
Bank Loan Ratings	39.74	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	69.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B Minus**) from ‘**ACUITE BB+**’ (read as **ACUITE Double B Plus**) and the short term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) from ‘**ACUITE A4+**’ (read as **ACUITE A Four Plus**) on the Rs.50.00 crore bank facilities of Laxmi Enterprises (LE). The outlook is ‘**Stable**’.

Acuite has also assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B Minus**) and the short term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.19.00 crore bank facilities of Laxmi Enterprises (LE). The outlook is ‘**Stable**’.

Rationale for Rating Upgrade

The rating upgrade and migration from 'Issuer non-cooperating' reflects LE's stable operational performance, with revenues of Rs. 117.34 Cr. in FY24, compared to Rs. 121.40 Cr. in FY23 and Rs. 74.76 Cr. in FY22. Additionally, the operating profit margin increased to 15.56% in FY24 from 13.34% in FY23 and 14.85% in FY22. The rating also considers the firm's healthy order book position, which provides steady revenue visibility over the medium term. Furthermore, the financial risk profile remains stable, with a moderate net worth, debt coverage indicators and low gearing levels. The rating also takes into account the firm's association with its major client, which is the Indian Railways. However, these strengths are partly offset by firm's presence in a competitive and fragmented industry, coupled with tender-based nature of operations, and the risk of capital withdrawal given its constitution as a partnership firm.

About the Company

Laxmi Enterprises (LE), 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, Ircon International Limited, among others.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of LE to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operation and experienced management

Established in 2002 as a partnership firm, LE has a long track record of operations of over 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 over two decades of experience in the business of construction. The firm reported revenue of Rs.117.34 Cr. in FY2024 as against Rs.121.40 Cr. in FY2023. This decline in revenue is primarily due to delay in billing for certain orders by Indian railways. Further, in 8MFY25, the firm recorded revenue of ~Rs.70.97 Cr. Also, the firm has a healthy executable order book position of ~Rs.650 Cr. reflecting revenue visibility over the medium term. The operating profit margin of the firm improved to 15.56 percent in FY2024 as compared to 13.34 percent in FY2023.

Acuite believes that going ahead, promoters' extensive experience will help the firm to maintain a healthy order book position and support improvement of its overall business risk profile.

Healthy Financial Risk Profile

The financial risk profile of the firm improved and remained healthy marked by moderate networth, low gearing and moderate debt protection metrics. The net worth of the firm stood at Rs. 33.70 Cr. as on March 31st, 2024 as against Rs. 28.83 Cr. as on March 31st, 2023, also there was some capital withdrawal by the partners during the year. The total debt of the firm stood at Rs. 38.90 Cr. as on March 31, 2024 as against Rs. 30.83 Cr. as on March 31, 2023. The debt profile of the firm comprises of Rs. 11.79 Cr. of long-term debt, Rs. 10.97 Cr. of short-term debt, and Rs.16.14 Cr. of unsecured loans from promoters and other related parties. The gearing of the firm stood low at 1.15 times as on March 31, 2024 as compared to 1.07 times as on March 31, 2023. The TOL/TNW of the firm stood at 1.45 times as on March 31, 2024 as against 1.42 times as on March 31, 2023. Further, the debt protection metrics of the firm stood moderate reflected by debt service coverage ratio of 1.94 times for FY2024 as against 2.56 times for FY2023. The interest coverage ratio stood at 5.54 times for FY24 as against 6.89 times for FY23. The net cash accruals to total debt (NCA/TD) stood at 0.31 times in FY2024 as compared to 0.35 times in the previous year.

Going ahead, the financial risk profile is expected to improve on account of healthy accruals generation and in absence of any major debt funded capex over the medium term.

Efficient working capital operations

The working capital operations of the firm are efficient in nature, with Gross Current Assets (GCA) of 58 days in FY2024, compared to 53 days in FY2023. The GCA days are primarily driven by moderate debtor days and other current assets. The debtor days stood at 40 days in FY2024 compared to 38 days in FY2023. Furthermore, the average utilization for fund-based limits remained moderate, averaging around ~61% over the last 6 months ending November 2024. The creditor days stood at 31 days as of March 31, 2024, as against 35 days in FY2023. The average credit period allowed by the suppliers is around 30-40 days.

Acuite believes that LE's working capital operations will continue to remain efficient over the medium term.

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

- Timely execution of orders in hand
- Sustenance of their conservative capital structure
- Elongation in working capital cycle.

Liquidity Position

Adequate

The firm's liquidity position is adequate. The firm generated sufficient net cash accruals of Rs. 11.95 Cr. in FY2024 as against its maturity debt obligations of Rs.1.37 Cr. in the same tenure. In addition, it is expected to generate sufficient cash accruals against its maturing repayment obligations over the medium term. The cash and bank balances of the firm stood at Rs. 0.12 Cr. as on March 31, 2024. The current ratio stood at 0.65 times as on March 31, 2024, as compared to 0.85 times as on March 31, 2023. Further, the working capital management of the firm is efficient in nature marked by Gross Current Assets (GCA) of 58 days in FY2024, with moderate reliance on working capital limits with average fund-based limit utilisation of ~61 per cent over the six months ended Nov, 2024.

Acuité believes that going forward the firm will maintain adequate liquidity position owing to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	117.34	121.40
PAT	Rs. Cr.	6.65	6.76
PAT Margin	(%)	5.67	5.57
Total Debt/Tangible Net Worth	Times	1.15	1.07
PBDIT/Interest	Times	5.54	6.89

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. Acuité'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
07 Mar 2024	Bank Guarantee (BLR)	Short Term	19.07	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	12.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	8.67	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Working Capital Demand Loan (WCDL)	Long Term	0.73	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Term Loan	Long Term	0.53	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Cash Credit	Long Term	6.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Cash Credit	Long Term	3.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
01 Aug 2023	Bank Guarantee (BLR)	Short Term	19.07	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	12.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	8.67	ACUITE A3+ (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	0.73	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.53	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Assigned)
27 May 2022	Bank Guarantee (BLR)	Short Term	18.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Working Capital Demand Loan (WCDL)	Long Term	0.73	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.10	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.74	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.26	Simple	ACUITE A3 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.26	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.74	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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