



Press Release

Lokesh Enterprises

June 09, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	5.97	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	30.29	IVR A4 (IVR A Four)	Assigned	Simple
Total	36.26	(Rupees Thirty-six crore and twenty-six lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Lokesh Enterprises draw comfort from its experienced partners with reputed clientele, moderate capital structure and healthy order book. However, these rating strengths are partially offset by modest scale of operations, weak debt coverage indicators, susceptibility of operating margins to volatile input prices, tender based nature of business, inherent risk as an EPC contractor and inherent risk of a partnership concern

Key Rating Sensitivities:

Upward Factors

- Sustainable & sustained improvement in scale of operations leading to improvement in debt protection metrics.
- Sustenance of the capital structure with further improvement in liquidity.

- Downward Factors

- Decline in scale of operation leading to deterioration in debt protection metrics.
- Moderation in liquidity position with stretch in operating cycle.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Partners

The firm is being managed by experienced and professional partners who have experience of over two decades in the industry. The partners are actively engaged in the day-to-day operations of the firm. The firm is also a Class A contractor for the electrical works.

Reputed Clientele

Lokesh Enterprises bids in tenders floated by government discoms of several geographies for the installation of electrical works. Over the years of its operations, the firm has established a strong business relationship with various discoms. Lokesh Enterprises has worked with several government entities like, Jodhpur Vidyut Vitran Nigam Ltd, Ajmer Vidyut Vitran Nigam Ltd, JICA, etc.

Moderate capital structure albeit weak debt coverage indicators.

The capital structure of the firm remained moderate with the overall gearing of 0.81x as on March 31, 2022, against 1.23x as on March 31, 2021. The TOL/TNW of the firm stood at 1.18x as on March 31, 2022, against 2.63x as on March 31, 2021. The debt coverage indicators stood weak with ICR improving to 1.41x in FY22 against 1.09x in FY21 and DSCR moderating to 0.87x in FY22 from 0.98x in FY21. The total Debt to GCA deteriorated from 47.03x in FY21 to 64.51x in FY22.

Healthy Order Book

The firm has an unexecuted order book of around Rs 218.85 crore as on December 31, 2022, to be executed in the coming years. The outstanding order book is 7.10x of the total operating income of FY22, indicating medium term revenue visibility.

B. Key Rating Weaknesses



Press Release

Modest scale of operations

The scale of operations remained modest in the highly competitive and tender based nature of business as reflected by total operating income of Rs 42.62 crore in FY22 which declined from Rs 44.22 crore in FY21. The EBITDA of the firm was Rs 2.40 crore in FY22 as against Rs 1.22 crore in FY21, the EBITDA margin improved from 2.75% in FY21 to 5.63% in FY22. The PAT of the firm was modest at Rs 0.39 crore (Rs 0.38 crore in FY21), the PAT margin improved from 0.85% in FY21 to 0.90% in FY22 and GCA stood at Rs 0.42 crore in FY22 (Rs. 0.40 crore in FY21). As per the provisional results, the firm reported a total operating income of Rs 67.37 crore and PAT of Rs 1.45 crore.

Susceptibility of operating margins to volatile input prices

Major Raw materials used in civil construction are steel, cement and aggregates, and in electrical construction activities steel products, wires, etc which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the firm is subject to fluctuations in raw material prices & labour cost.

Tender Based Nature of Business

The business is highly dependent on the tenders issued by DISCOMs. The dependence on tender based work may sometimes lead to contraction of orders and revenue as business is dependent on the continuous receipt of work orders.

Inherent risk as an EPC contractor

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the firm in the sector.

Inherent risk of a partnership concern



Press Release

Lokesh Enterprises being a partnership concern, is exposed to inherent risk of the promoter's capital being withdrawn at any time and firm being dissolved upon the demise/retirement/ insolvency of the partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity profile of the firm stood stretched due to low cushion in GCA vis-à-vis the debt repayments as well as elongated operating cycle. The current ratio of the firm stood at 1.60x and quick ratio at 0.77x as on March 31, 2022. The working capital fund-based limits utilisation stood at 86.04% and non-fund-based limits utilisation stood at 44.09% for last 12 months ended January 2023. The unencumbered cash and bank balance of the firm stood at 0.01 crore as on March 31, 2022. The operating cycle of the firm stood elongated at 130 days in FY22 against 22 days in FY21, deteriorated due to elongation in inventory period and decline in creditor period.

About the Company

M/s Lokesh Enterprises was incorporated as a proprietorship firm by Mr. Kana Ram Gurjar in 2007. Mr. Naresh Kumar Verma joined the concern in 2009 after getting professional experience of 5 years from a reputed EPC Electrical Installation & Contracting firm, M/s Pink City Refrigeration and Enterprises. The firm obtained License of "A" Class Contractor from Govt. of Rajasthan to engage into supply and installation of Electrical Lines from Government DISCOM in 2009.

The constitution of the proprietorship firm was converted to partnership in the year 2017. The firm got registered with the same name "Lokesh Enterprises" with



Press Release

Registrar of Firms, Jaipur Later the firm has obtained License in partnership firm of “A” Class Contractor.

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	44.22	42.62
EBITDA	1.22	2.40
PAT	0.38	0.39
Total Debt	18.98	27.24
Tangible Net Worth	15.41	33.45
Ratios		
EBITDA Margin (%)	2.75	5.63
PAT Margin (%)	0.85	0.90
Overall Gearing Ratio (x)	1.23	0.81

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Facilities	Long Term	5.97	IVR BB- / Stable	--	--	--
3.	Short Term Fund Based Facilities	Short Term	30.29	IVR A4	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Pratima Jangid	Name: Harsh Raj Sankhla
----------------------	-------------------------



Press Release

Tel: (011) 45579024

Email: pratima.jangid@infomerics.com

Tel: (011) 45579024

Email: harshraj.sankhla@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	FY25	1.12	IVR BB-/ Stable
Cash Credit	-	-	-	4.85	IVR BB-/ Stable
Letter of Credit	-	-	-	3.09	IVR A4



Press Release

Bank Guarantee	-	-	-	27.20	IVR A4
----------------	---	---	---	-------	--------

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Lokesh-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.