



Press Release

New Laxmi Steel and Power Private Limited

July 22, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	56.49	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned
Total	56.49 (Fifty six crore and forty nine lakh)		

Details of facilities are in Annexure 1

Detailed Rationale

The assigned rating considers long experience of the promoters and established track record of New Laxmi Steel and Power Private Limited (NLSPPL) in the steel industry. The rating also considers the strategic location of the manufacturing unit, healthy growth witnessed in the topline and profits in FY2021 (provisional), comfortable financial risk profile and satisfactory working capital management. The rating, however, is constrained by the volatility in the prices of raw materials and finished goods, geographical concentration risk, intense competition and cyclicity in the steel industry.

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factor:

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Long experience of promoters and established track record of operations**

The company was incorporated by the Odisha-based Gupta family. The promoters have a long experience and have an established track record in the steel industry. The company's day-to-day operations are looked after by Mr. Pawan Kumar Gupta and Mr. Rahul Agarwal, along with a team of experienced professionals.

- **Strategic location of the plant in proximity to raw material sources and customer base**

NLSPPL's manufacturing facilities are located in Odisha. Since the company primarily procures raw materials from the suppliers based in Odisha, and sells its products to clients concentrated mainly in the Eastern India, NLSPPL enjoys operational advantages from its strategic location.

- **Healthy growth witnessed in the topline and profits in FY2021 (provisional)**

The topline of the company stood at Rs. 221.92 crore in FY2021 (provisional) depicting a y-o-y increase of ~35% on the back of increase in sales volume and increase in average realisation. Consequently, the operating profit and profit before tax increased to Rs. 17.28 crore and Rs. 10.41 crore in FY2021 (provisional) from Rs. 11.46 crore and Rs. 3.51 crore respectively. The gross cash accruals have also witnessed a steady improvement over the last few years on the back a consistent increase in the profits of the company.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by satisfactory Tangible Net worth base of Rs. 35.15 crores as on March 31, 2021 (provisional) as against Rs. 27.50 crore as on March 31, 2020. The overall gearing improved to 1.27x in FY2021 (provisional) as against 2.16x in FY2020. TOL/TNW stands at 2.07x in FY2021 (provisional) as against 2.92x in FY2020.



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- **Satisfactory working capital management**

The company has prudently managed its working capital requirements and maintained its working capital cycle around 59 days during FY2021 (provisional). Further, the average utilisation of its working capital also remained satisfactory at about ~42% during the past 12 months ended March 2021.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices and finished goods**

Since, the raw material is the major cost driver (constituting about 75% of total cost of sales) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **Geographical concentration risk**

NLSPPL mainly caters to the eastern states which contributed almost entire its sales in FY2021 (provisional). Hence, the company is exposed to geographical concentration risk.

- **Intense competition and limited pricing flexibility in steel industry**

The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition. Further, the domestic steel industry is cyclical in nature, which is likely to impact the cash flows of the long product manufacturers including NLSPPL.

- **Exposure to inherent cyclicity in the steel industry**

The ratings continue to be impacted by the cyclicity inherent in the steel industry, which are likely to keep the margins and cash flows of all the players in the steel industry, including NLSPPL, volatile.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations during FY2022-FY2024. Further, the company has no planned capex or addition of further long-term debt, which imparts comfort. During last 12 months ending in March 2021, average utilisation of bank borrowing was around ~42% indicating an adequate liquidity buffer. Further, company has reported adequate current ratio at 1.31x as on March 31, 2021 (provisional) to meet its near-term cash requirements.

About the Company

New Laxmi Steel and Power Private Limited was incorporated in September 2007 by the Odisha-based Mr. Pawan Kumar Gupta and Mr. Rahul Agarwal and started the operations in 2009. The company manufactures thermo mechanically treated (TMT) bars, billets and galvanized steel structural products. The manufacturing facility of the company is located at Khorda, Odisha, and has a production capacity of 29,700 MT per annum for billets and 1,44,000 MTPA for TMT bars. The company also has a galvanizing unit with an installed capacity of 29,000 MTPA. Additionally, the company also runs a sponge iron unit at Jajpur district in Odisha with an installed capacity of 102,200 MTPA.

Financials (Standalone)

For the year ended* / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (Provisional)
Total Operating Income	163.79	221.92
EBITDA	11.46	17.28
PAT	2.75	7.65
Total Debt	59.42	44.52
Tangible Net Worth	27.50	35.15
EBIDTA Margin (%)	7.00	7.78
PAT Margin (%)	1.67	3.44
Overall Gearing ratio (x)	2.16	1.27

**Classification as per Infomerics' standards*



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Details of Non-Co-operation with any other CRA:

India Ratings has moved the rating of NLSPPPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated December 19, 2019.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument / Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Working Capital Demand Loan	Long Term	2.30	IVR BBB-/ Stable	-	-	-
2.	Guaranteed Emergency Credit Line	Long Term	6.19	IVR BBB-/ Stable	-	-	-
3.	Cash Credit - 1	Long Term	23.00	IVR BBB-/ Stable	-	-	-
4.	Cash Credit - 2	Long Term	25.00	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Working Capital Demand Loan	-	-	FY2023	2.30	IVR BBB-/ Stable
Guaranteed Emergency Credit Line	-	-	FY2025	6.19	IVR BBB-/ Stable
Cash Credit - 1	-	-	-	23.00	IVR BBB-/ Stable
Cash Credit - 2	-	-		25.00	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/NewLaxmiSteelPower-lenders-22july2021.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Working Capital Demand Loan	Simple
2.	Guaranteed Emergency Credit Line	Simple



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3.	Cash Credit	Simple
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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.