



Press Release

LSC Infratech Limited
July 08, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	116.00	IVR BBB+ (IVR Triple B Plus)	Assigned
Short Term Bank Facilities	10.00	IVR A2 (IVR A Two)	Assigned
Total	126.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of LSC Infratech Limited derives comfort from its experienced & resourceful promoters, established presence in the stone crushing industry, established clientele and supplier base and comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics. The rating also considers vulnerability to government policies, significant decline in the operating revenue with stable margins and working capital intensive nature of operation.

Upward Factors

- Growth in scale of operations with improvement on profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics
- Improvement in the collection period leading to improvement in liquidity

Downward Factors

- Moderation in operating income and/or profitability impacting the debt protection metrics
- Elongation in the operating cycle impacting the liquidity
- Moderation in the capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced Promoters**

LSC Infratech Ltd (LSC) is promoted by Mr. Shiv Kumar Agarwal, who has an experience of over four decades in various fields such as stone crushing, oil extraction, rice mill, real estate etc. He has been involved in robust development of LSC Infratech Ltd. Mr. Abhishek Agarwal, Director, is a graduate from Delhi University, with an experience of close to two decades who looks after the marketing function. Mr. Saurabh Agarwal, Director, has an experience of over two decades. He is an expert in the field of technology and is a firm believer of innovating to the need of greener tomorrow. The top management comprises qualified and experienced members, with average experience of a decade.

- **Established presence in the stone crushing industry**

LSC group is an established player in the stone crushing industry with experience of over four decades. The installed capacity of the sand and grit of 78 lacs MT. LSC has an operational track record of over three decades where the group has been engaged in many businesses such as rice mill, oil extraction, real estate, stone crushing etc.

- **Established clientele and supplier base**

The company has been able to develop established relationship with its clients and suppliers. The top nine clients accounted for ~36% of total sales in FY19 indicating a diversified customer profile. Moreover, the company acquires its raw material which is stone from river bed by providing royalty to the state government and silica sand by open blast mining in Rajasthan.

- **Comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics**

The company has comfortable capital structure marked by low long-term debt in its capital structure and lower dependence on external borrowings. The overall gearing ratio stood at 0.84 times as on March 31, 2020 (0.99 times as on March 31, 2019). Total indebtedness marked by TOL/ANW also remained comfortable at 0.97x as on March 31, 2020 (1.15 times as on March 31, 2019). The debt protection metrics of the company remained healthy



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marked by its comfortable interest coverage ratio. The financial risk profile is expected to remain comfortable over the near to medium term.

Key Rating Weaknesses

- **Vulnerability to government policies**

Various government departments control the royalty rates, along with mining and environmental approvals. Adverse changes in policy can have a substantial impact on operations.

- **Significant decline in the operating revenue with stable margins**

The company has witnessed a significant decline in the total operating revenue. The total revenue declined from Rs. 322 crore in FY19 to Rs. 250 crore in FY20. The decline in revenue was majorly driven by fewer orders received from the company in comparison with previous years and also decline in price of stone and sand in FY20. However, the profit margins of the company remained satisfactory with the EBITDA margin at 16.33% and the PAT margin at 5.29% during FY20. With healthy profitability, the company has earned healthy gross cash accruals over the years.

- **Working capital intensive nature of operation**

To fund its working capital requirements the company is largely dependent on the bank borrowings. Consequently, the average working capital limit utilization of the company remained high at ~90% for the past twelve months ending April, 2020.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity profile of LSC is expected to remain adequate marked by its expected satisfactory cash accruals of ~Rs.26 crore, Rs. 39 crore and Rs. 42 crore in FY20, FY21 and FY22 vis a- vis its debt repayment obligations aggregating to ~Rs. 5 crore, Rs. 4 crore and Rs. 5 crore in FY20, FY21 and FY22. The company has sufficient gearing headroom to



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raise additional debt for its capex. However, the average utilization of its fund based limits of the company during the past twelve months ended April 2020 remained high at ~90% indicating a limited buffer.

About the Company

LSC Infratech Ltd. (LSC) is one of India's largest stone crushing, sand & gravel crushing company. The stone crushing business was started in the year 1991 with first unit at Haldwani, Distt. Nainital (Uttarakhand) under the name of Lalkuan Stone Crushers. LSC is involved in manufacturing all type of Stone Grits, Rivers Gravels, Manufactured Sand, Washed Sand, Silica Sand and Foundry Sand. Stone Grit is an essential item for any construction, Silca sand is the major raw metrial for glass industry and is thus an integral part of the Infrastructure development work being done in India.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	322.07	249.88
EBITDA	46.75	40.80
PAT	20.12	13.22
Total Debt	111.82	106.02
Tangible Net worth*	150.28	162.90
EBITDA Margin (%)	14.52	16.33
PAT Margin (%)	6.31	5.29
Overall Gearing Ratio (x)^	0.74	0.65

* Loan from directors, related parties and group companies has been treated as Quasi-equity

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18



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1.	Cash Credit	Long Term	104.00	IVR BBB+	-	-	-
2.	Term Loan	Long Term	12.00	IVR BBB+	-	-	-
3.	Standby Letter of Credit	Short Term	10.00	IVR A2			

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.

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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 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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	104.00	IVR BBB+
Long Term Bank Facilities- Term Loan	-	-	-	12.00	IVR BBB+
Short Term Bank Facilities- Standby Letter of Credit	-	-	-	10.00	IVR A2