

September 30, 2022

Liya Infratech Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	25.00	30.00	[ICRA]BB+(Stable); reaffirmed
Long-term – Fund-based – Term loan	6.00	-	-
Short-term – Non-fund based – Bank guarantee	25.00	25.00	[ICRA]A4+; reaffirmed
Long-term / Short-term – Unallocated	4.00	5.00	[ICRA]BB+(Stable)/[ICRA]A4+; reaffirmed
Total	60.00	60.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation takes into account the established track record of Liya Infratech Private Ltd (LIPL) in the construction of roads and industrial buildings and its reputed client base comprising mainly government agencies such as Karnataka Industrial Areas Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC) and the Ministry of Road Transport and Highways (MoRTH) reducing the counterparty credit risk. The ratings consider the healthy order book of Rs. 289.9 crore as on June 30, 2022, which translates into 4.4 times of its revenues in FY2022, providing medium-term revenue visibility.

The ratings, however, remain constrained by the company's small scale and high working capital intensity as reflected by NWC/OI of 66% as on March 31, 2022 owing to high unbilled revenues and debtors. The debtor days increased to 86 in FY2022 on account of higher billing in Q4 and delay in receipt of final bills. Further, the cash credit limit utilisation remained high at 96% over the last 12 months owing to delay in payments from its key customers (KIADB and KSSIDCL). With shift in revenues from the state government agencies to MoRTH, the liquidity position is expected to improve with timely realisation of bills and remains a key rating monitorable. Also, the company is exposed to region-specific economic and political risks, given its order book is limited to the Karnataka region.

The Stable outlook reflects ICRA's belief that LIPL will continue to benefit from its long track record of operations in the civil construction and its healthy order book position.

Key rating drivers and their description

Credit strengths

Established track record in road and industrial building construction – Established in 2010, LIPL's promoters have more than two decades of experience in the civil construction industry. The company has completed road projects and has executed industrial estates including buildings for various Government agencies, which supports its order inflow.

Healthy order book provides medium-term revenue visibility – LIPL reported an outstanding order book of Rs. 289.9 crore as on June 30, 2022, translating to 4.4 times of its revenues in FY2022, providing medium-term revenue visibility. The company has received orders of Rs. 247.82 crore in the past 18 months.

Credit challenges

Small scale of operations – The company's scale of operations has remained small with revenues of Rs. 65 crore in FY2022 despite improving over the years from Rs. 40.0 crore in FY2018 on the back of steady order addition and execution. Further, the revenues are expected to improve by more than 25% in FY2023 on the back of healthy order book position.

High working capital intensity – The company's working capital intensity remained high at 66% in FY2022 owing to high unbilled revenue and debtors. The debtor days increased to 86 in FY2022 on account of higher billing in Q4 and delay in receipt of the final bills. Further, the cash credit limit utilisation remained high at 96% over the last 12 months owing to delay in payments from its key customers (KIADB and KSSIDCL).

High geographical and customer concentration risks – Most of the projects in the company's order book pertain to the Karnataka region and thereby exposes LIPL to region-specific economic and political risks. Additionally, about 74% of the pending order book as on June 30, 2022 is from a single customer, indicating significant customer concentration risk. Nevertheless, the reputed customer profile results in lower counterparty credit risk.

Liquidity position: Stretched

The company's liquidity position is stretched with high average utilisation of 96% of the limits for the last 12 months ending July 2022. It has repayment obligation of Rs. 2.71 crore in FY2023 and Rs. 2.04 crore in FY2024, which can be comfortably met from its estimated cash flow from operations. The absence of any major capex plans in the near term supports its liquidity position to an extent.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates significant scale up of operations with healthy profitability, and improved liquidity position on a sustained basis.

Negative factors – Pressure on LIPL's ratings could arise if decline in scale of operations or operating margins results in deterioration of debt coverage metrics. Further, elongated payment cycle weakening its liquidity position would also result in a rating downgrade. Specific triggers include interest coverage ratio of below 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Liya Infratech Private Limited (LIPL) was incorporated in 2010, by Mr. S. Abdul Khader and Mrs. Hafeeza Khathijamma for executing civil construction works. On August 02, 2011, it acquired a proprietorship concern M/s. S. Abdul Khader (SAK), which was into civil works business from 1994. The company is a Class -1A PWD contractor for Karnataka. At present, it is executing road construction and other civil construction projects in Karnataka. It undertakes projects for government departments like Karnataka Industrial Areas Development Board and Karnataka State Small Industries Development Corporation.

Key financial indicators

LIPL	FY2021 (Audited)	FY2022 (Provisional)
Operating income	65.2	65.0
PAT	1.6	2.7
OPBDIT/OI	13.3%	14.9%
PAT/OI	2.5%	4.1%
Total outside liabilities/Tangible net worth (times)	1.8	1.7
Total debt/OPBDIT (times)	3.9	3.2
Interest coverage (times)	2.1	2.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
				Sep 30, 2022	June 18, 2021	May 28, 2021	-	Feb 12, 2020
1 Long-term – Fund-based – Cash credit	Long term	30.00	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	[ICRA]BB (Stable)
2 Long-term – Fund-based – Term loan	Long term	-	-	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	[ICRA]BB (Stable)
3 Short-term – Non-fund based – Bank guarantee	Short Term	25.00	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	-	[ICRA]A4
4 Long-term / Short-term – Unallocated	Long term/ Short term	5.00	-	[ICRA]BB+ (Stable)/ [ICRA]A4+	[ICRA]BB+ (Stable)/ [ICRA]A4+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based – Bank guarantee	Very simple
Long-term / Short-term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details:

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund - based – Cash credit	NA	NA	NA	30.00	[ICRA]BB+(Stable)
NA	Short-term – Non- fund based – Bank guarantee	NA	NA	NA	25.00	[ICRA]A4+
NA	Long-term / Short- term – Unallocated	NA	NA	NA	5.00	[ICRA]BB+(Stable)/[ICRA]A4+

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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