August 16, 2017

Leapfrog Engineering Services Private Limited

Summary of rated instruments

Instrument^	Amount (Rs. crore[1])	Rating Action
Long term – Fund-based	6.00	[ICRA]C ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Long term – Non Fund-based	4.00	
Total	**10.00**	

*Issuer did not cooperate; based on best available information.
^Instrument details captured under Annexure-1

Rating action
ICRA has moved the ratings for the Rs. 10.00 crore bank facilities of Leapfrog Engineering Services Private Limited to the 'Issuer Not Cooperating' category. The rating is now denoted as "[ICRA]C ISSUER NOT COOPERATING"

Rationale
The rating is based on no updated information on the entity's performance since the time it was last rated in February, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with Leapfrog Engineering Services Private Limited, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers
Credit strengths
- **Significant experience of the promoters in the industry –** The company has a track record of over 10 years in project execution in the domestic and overseas markets. The management has technical and domain expertise in executing industrial projects requiring higher design and execution capabilities.
- **Diversified services profile and association with reputed clients –** The company has expertise in electrical and instrumentation, fire protection and detection, IT infrastructure, and electronic security systems. These diversified services are offered to reputed clients across different industries like oil & gas, infrastructure, manufacturing etc, insulating the company from downturns in any particular industry.

[1] *100 lakhs = 1 crore = 10 millions*

Credit weaknesses

- **Small scale of operation with weak financial profile** – The scale of operations of the firm remained modest with an operating income of Rs. 19.35 crore in FY2015. The financial profile remained weak characterized by low net-worth, weak cash accruals, high gearing and weak coverage indicators in FY2015.
- **Stretched liquidity position of the company -** The company had high working capital intensity of ~29% in FY2015, due to delays in receipt from its customers. The liquidity position of the company remained stretched with high utilisation of working capital limits in FY2015.

Analytical approach

For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Links to applicable Criteria

Corporate Credit Rating - Note on Methodology
Policy on non-cooperation by rated entity

About the company

Leapfrog Engineering Services Private Limited was incorporated in 2005 by Mr. Prabhav N Rao in Bangalore, Karnataka. The company provides 'Design Build' solutions to its clients in the electrical and instrumentation, fire protection and detection, passive fire protection, and IT infrastructure and electronic security systems domains. The company has significant expertise in developing strategy, engineering and execution mechanisms for a range of industrial, commercial, and allied projects. It has successfully completed projects in India as well as overseas for industry sectors such as oil and gas, process industries, utilities and infrastructure, manufacturing and telecommunications.

Key financial indicators

	FY2014	**FY2015**
Operating income (Rs. crore)	9.18	19.35
PAT (Rs. crore)	0.27	0.22
OPBDIT/ OI (%)	12.88%	6.83%
RoCE (%)	15%	14%
Total Debt/ TNW (times)	2.64	2.51
Total Debt/ OPBDIT (times)	5.46	5.05
Interest coverage (times)	1.66	1.26
NWC/ OI (%)	61%	29%

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax; OI: Operating Income; TNW: Tangible Net Worth; NWC: Net Working Capital; Source: Financial statements of Leapfrog Engineering Services Private Limited and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information
The issuer has an outstanding rating of “B+ (Stable)/A4” from Brickwork ratings, dated March 20, 2017

Rating history for the last three years:

Table:

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Month-year & Rating in FY2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
				August 2017	-	February 2016	-
1	Fund based	Long Term	6.00	[ICRA]C ISSUER NOT COOPERATING*	-	[ICRA]C	-
2	Non-fund based	Long Term	4.00		-	[ICRA]C	-

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Instrument details

Name of the instrument	Date of sanction	Coupon rate	Maturity Date	Size of the issue (Rs. Crore)	Current Rating and Outlook
Overdraft	-	-	-	6.00	[ICRA]C ISSUER NOT COOPERATING*
Bank Guarantee	-	-	-	4.00	[ICRA]C ISSUER NOT COOPERATING*

*Issuer did not co-operate; based on best available information

Source: Leapfrog Engineering Services Private Limited

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About ICRA Limited:
ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.
Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.
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