

April 04, 2025

LEA Associates South Asia Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based – Working capital facilities	37.00	37.00	[ICRA]A+(Stable); reaffirmed
Non-fund based facilities	175.00	175.00	[ICRA]A+(Stable)/[ICRA]A1+; reaffirmed
Unallocated limits	13.00	13.00	[ICRA]A+(Stable)/[ICRA]A1+; reaffirmed
Total	225.00	225.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings continue to positively factor in the established presence and track record of LEA Associates South Asia Private Limited (LASA) in providing consultancy services across diverse sectors as well as its strong client profile. Its established track record enables the company to receive repeat orders from its major customers. The ratings further derive comfort from the company's healthy order book position and an order book/operating income of 2.1 times as on December 31, 2024, aided by the steady order intake in the last few years. Hence, the revenue visibility is expected to remain healthy in the medium term. However, the timely execution of the projects remains crucial.

The company's financial risk profile remains healthy with a comfortable capital structure and strong liquidity position. Its surplus cash balances improved with a steady execution and limited capex/repayment obligations. The company had free cash balances of Rs. 101 crore as on March 24, 2025 and the fund-based limits of Rs. 27 crore largely remained unutilised as on December 31, 2024. LASA's working capital intensity is supported by advances from customers as well as back-to-back payment terms with sub-consultants.

The company's net profit margins and cash accruals were stable over the years. However, the operating margins were impacted in the last few years due to the decline in gross margins with increased competition and significant payout of shareholder bonuses. The shareholder bonus is classified as employee expenses, as the employees are shareholders of the parent entity, LEA Holdings Canada, and is impacting the operating profits. However, the operating margins adjusted to shareholder bonuses remained healthy at ~13-16% over the previous two years. The bonus payout is calculated based on profit before tax (PBT), which is supported by the interest income from the company's significant cash holdings. ICRA notes that the shareholder bonus is a discretionary spend and it varies based on the company's PBT. Also, the company may retain cash, as and when required, limiting the shareholder bonus.

The majority of LASA's revenues are from India but for its overseas projects, the company's profitability remains exposed to foreign currency fluctuation risk in the absence of a hedging policy. ICRA also notes the employee-intensive nature of the consulting business, the high cost per employee and the challenges of retaining key personnel.

The ratings are also constrained by LASA's potential susceptibility to delayed payments as the majority of the receivables pertain to Government clients where there have been delays in the recovery of dues. This may impact the company's ability to make timely payments to its sub-consultants due to the back-to-back nature of the contracts. However, this is mitigated by the sizeable free cash balances at the company's disposal, which can be utilised to make payments to the sub-consultants,

especially since the company does not intend to pay any dividend at this stage. ICRA also notes that except for a few projects, LASA's debtor realisation has been relatively healthy.

The Stable outlook assigned to the company's long-term rating reflects ICRA's expectation that LASA would maintain its credit profile, driven by healthy order inflow and execution, resulting in improved profit margins and a strong liquidity position.

Key rating drivers and their description

Credit strengths

Established track record in consulting business with diversified service profile – LASA has a diversified service profile, offering services in various disciplines such as roads and highways, railways, urban development, traffic and transportation and water resources. It has an experience of more than 30 years in providing engineering and project consultancy services across various project stages - from feasibility studies and engineering designs to project management consulting. LASA's core competency lies in the roads and highway segment, which includes both supervision and highway-DPR, resulting in healthy order book generation. The company's established track record enables it to secure repeat orders from its major clients such as the National Highways Authority of India (NHAI). The diversified portfolio protects it from cyclical downturns in a specific industry to some extent.

Healthy order book position provides medium-term visibility – The company has a healthy order book position and an order book/operating income of 2.1 times as on December 31, 2024, aided by the steady order intake in the last few years. Hence, the revenue visibility is expected to remain robust in the medium term.

Strong client profile ensures low counterparty credit risks – LASA's customer profile includes major Government authorities, including the NHAI and Rail Vikas Nigam Limited (RVNL). The company also participates and executes contracts in overseas markets, such as Ethiopia, Rwanda, Kenya, Uganda, Mozambique, Tanzania, Malawi, Zambia, Lao PDR, Bangladesh and Oman, which are primarily funded by multilateral agencies such as the World Bank and the African Development Bank. Hence, the credit risk in the overseas projects remains low.

Healthy financial profile – The company's financial risk profile is comfortable, which is reflected in the controlled debt levels with strong leverage indicators and TOL/ TNW of 0.7 times as on March 31, 2024, limited long-term debt and limited utilisation of fund-based working capital facilities. Further, the coverage indicators have remained comfortable over the years. The company's strong liquidity position is evident from its healthy unencumbered cash and bank balances of Rs. 101 crore as on March 24, 2025. The company's net profit margins and cash accruals were stable over the years. However, the operating margins were impacted in the last few years due to the decline in gross margins with increased competition and significant payout of shareholder bonuses. ICRA notes that the shareholder bonus is a discretionary spend and it varies based on the company's PBT. Also, the company may retain cash in the company as and when required, limiting the shareholder bonus.

Credit challenges

Competitive pressure from established local, multinational and boutique firms - The company faces competition from several large consulting companies, including Consulting Engineering Services (CES), RITES Limited, Louis Berger, Aarvee Associates Engineers & Consultants Private Limited, Intercontinental Consultants and Technocrats (ICT). However, LASA's high technical expertise and its strong track record of operations have supported its revenue growth over the years. Its operating margins have declined to 2.5% in FY2024 from 4.5% in FY2023 and 7.3% in FY2022 due to elevated competition and aggressive bidding from smaller companies as well as the higher shareholder bonus payouts by the company. However, the operating margins adjusted to shareholder bonus remained healthy at ~13-16% over the previous two years.

Employee-intensive nature of consulting business – Employee retention remains crucial, given the high costs associated with the training of its employees for project executions. The company's ability to retain critical talent remains crucial for

maintaining its competitive position, as most projects are awarded on the basis of the technical expertise of the key personnel and the past track record.

Exposed to forex risks – The lack of hedging mechanisms for overseas operations exposes the company to unfavourable foreign exchange movements. The risk, however, is partially mitigated as the majority of the revenue is contributed by the domestic market.

Susceptible to delayed receipt of payments from clients – LASA is susceptible to delayed payments as the majority of the receivables pertain to Government clients, wherein recovery is generally delayed. However, the company’s debtors exceeding six months have reduced over the past few months owing to improved realisation. ICRA also notes that except for a few projects, LASA’s debtor realisation has been relatively healthy.

Liquidity position: Strong

The company’s liquidity position is strong with stable cash flows from operations, minimal utilisation of fund-based limits with undrawn limits of Rs. 26 crore as of December 2024 and healthy free cash and cash equivalents of Rs. 101 crore as on March 24, 2025. In relation to these sources of cash, the company has limited capital expenditure and modest repayment obligations. The company has historically met its working capital requirements through internal accruals while remaining in a cash-surplus position.

Rating sensitivities

Positive factors - The ratings could be upgraded if there is a healthy accretion to fresh orders across segments and geographies on a sustained basis, supported by strong order execution and improving operating profitability while maintaining strong liquidity.

Negative factors - Pressure on the ratings could emerge if there is any significant decline in the company’s revenues and profitability. Further, any elongation in the debtor cycle and/or any substantial write-off of debtors, stretching the company’s liquidity position, may result in a downgrade. The ratings could also be downgraded if the PBDIT¹/interest falls below 5.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

LEA Associates South Asia Private Limited (LASA), incorporated in 1993, is a ~99.99% subsidiary of LEA Group Holding Inc, Canada, which is held by employees. LASA provides design consultancy and construction supervision for highways and consultancy related to services such as roads, bridges, flyovers, and railway tracks, etc. In addition, it offers services like planning of urban transportation, traffic, water resources, etc. The company operates from rented premises located in multiple states, including New Delhi (corporate office), Andhra Pradesh, Assam, Bihar, Maharashtra, Odisha, etc. Besides India, the company has its branch offices in Uganda, Ethiopia, Bangladesh, Oman, Tanzania, Kenya, Mozambique, Malawi, Rwanda, Lao

¹ PBDIT – Profit before depreciation, interest and taxes

PDR, Ghana and Zambia. Most of the company's overseas projects are funded by reputed financial institutions like the World Bank and the African Development Bank.

Key financial indicators (audited)

LASA	FY2023	FY2024
Operating income	413.1	422.7
PAT	18.8	10.5
OPBDIT/OI	4.5%	2.5%
PAT/OI	3.9%	4.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	0.1	0.6
Interest coverage (times)	4.3	2.4
PBIDT/Interest (times)	7.4	8.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, PBIDT - Profit before depreciation, interest and taxes

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Chronology of rating history for the past 3 years			
			Current rating (FY2026)		Date & rating in FY2024	Date & rating in FY2023
			Date & rating in FY2026	Date & rating in FY2025		
			April 04, 2025	-	Mar 28, 2024	Jan 06, 2023
1	Fund-based working capital facilities	37.0	[ICRA]A+ (Stable)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	Non-fund based limits	175.0	[ICRA]A+ (Stable)/ [ICRA]A1+	-	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+
3	Interchangeable limits	-	-	-	-	-
4	Unallocated limits	13.0	[ICRA]A+ (Stable)/ [ICRA]A1+	-	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Working capital facilities	Simple
Non-fund based facilities – Bank guarantee	Simple

Unallocated limits

NA

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: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Working capital facilities	NA	NA	NA	37.00	[ICRA]A+(Stable)
-	Bank guarantee	NA	NA	NA	175.00	[ICRA]A+(Stable)/[ICRA]A1+
-	Unallocated limits	NA	NA	NA	13.00	[ICRA]A+(Stable)/[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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