February 28, 2017

Liya Infratech Pvt. Ltd.

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long Term; Cash Credit	20.0	[ICRA]BB (Stable); reaffirmed
Long Term; Term Loan	1.0	[ICRA]BB (Stable); reaffirmed
Short term; Bank Guarantee	5.0	[ICRA]A4; reaffirmed

**Instrument details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed the long-term rating at [ICRA]BB (pronounced as ICRA double B)[1] assigned to the Rs. 20.0 crore cash credit facility and the Rs. 1.0 crore term loan facility of Liya Infratech Pvt Ltd (LIPL). ICRA has also reaffirmed the short-term rating at [ICRA]A4 (pronounced as ICRA A four) assigned to the Rs. 5.0 crore of non-fund based bank guarantee facility of LIPL. The outlook on the long-term rating is 'Stable'.

Rationale

The reaffirmation in the ratings take into account of comfortable outstanding order book of Rs. 59.7 crore as on January 31, 2017 which is 1.14 times the operating income of FY2016 resulting in revenue visibility in near term. The ratings continue to derive comfort from the long standing presence of the promoters in the road construction and other civil construction business, timely completion of the projects in the past and healthy relationship that the promoters have built over the years with the government agencies that support the growth prospects. The ratings also factor in the "Class 1 Contractor" status of the company for public works department (PWD), Karnataka, which enables it to bid for large government contractors in the state of Karnataka. The ratings are, however, constrained by the small scale of operations that limits operational and financial flexibility to an extent. The ratings are also constrained by the moderate financial profile of the company marked moderate gearing and coverage indicators and the high working capital intensive nature of business owing to delayed payments from the government agencies, in turn, adversely impacting the liquidity position of the company and resulting in high utilization of the working capital limits. The ratings also consider the major dependency of order flow on tender based contract award system, which exposes the company to intense competition and consequently keeps the margins under check. Going forward, the ability of the company to secure further orders, and improve its scale of operations and margins while effectively managing its working capital requirements would be the key rating sensitivities.

Key rating drivers

Credit Strengths

- Long standing presence of the promoters in the road construction and other civil construction business, timely completion of the projects in the past
- Healthy relationship that the promoters have built over the years with the government agencies
- Comfortable outstanding order book of Rs. 59.7 crore as on January 31, 2017 which is 1.14 times the operating income of FY2016 resulting in revenue visibility in near term
- Status as an approved class I contractor with PWD enabling to bid for large government contractors in the state of Karnataka.

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Credit Weakness

- Small scale of operations that limits operational and financial flexibility to an extent
- Moderate financial profile of the company marked moderate gearing and coverage indicators
- High working capital intensive nature of business owing to delayed payments from the government agencies, in turn, adversely impacting the liquidity position of the company and resulting in high utilization of the working capital limits
- Profitability exposed to raw material availability and price fluctuation
- Major dependency of order flow on tender based contract award system, which exposes the company to intense competition and consequently keeps margins under check

Description of key rating drivers highlighted above:

The company is a registered Class I contractor with Public Works Department, Karnataka. It deals with civil construction works such as building and repairing of roads, construction of bridges, drains, pipeline systems, culverts, water tanks and pump house among others. The company's customer profile is dominated with government agencies like Karnataka Industrial Areas Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC) and Bangalore Development Authority (BDA) among others, which reduced the counter party risk of the company, but also exposes it to stretched payments from the government agencies, which leads to high working capital requirements. The company has secured orders worth ~Rs. 81.4 crore in the current year till January 2017 and is expecting additional orders worth Rs. 130 crore in Q4 of FY2017. The company had executed orders worth Rs. 42.0 crore till December. LIPL's contracts are fixed price in nature, so company's profitability is susceptible to rising raw material prices and labour charges. The company secures new orders through tender based contract award system which exposes company to intense competition and consequently keeps the margins under check.

Links to applicable Criteria

Corporate Credit Ratings: A Note on Methodology

ICRA Rating Methodology: Construction Companies

About the Company:

LIPL was incorporated in the year 2010 by Mr S Abdul Khader and Mrs Hafeeza Khathijamma for executing civil construction works such as roads and earth works under sub-contract and direct contract basis. On August 02, 2011, LIPL acquired proprietorship concern M/s. S. Abdul Khader (SAK) which was into civil works business from 1994. The company is presently executing road construction and other civil construction projects in Karnataka. The company undertakes projects for government departments such as Karnataka Industrial Areas Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC) and Bangalore Development Authority (BDA) among others.

The company reported a net profit of Rs 1.8 crore on an operating income of Rs 52.5 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable**.**

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
				Feb 2017	Sep 2015		
1	Cash Credit	Long term	20.0	[ICRA]BB (Stable)	[ICRA]BB (Stable)	NA	NA
2	Term Loan	Long term	1.0	[ICRA]BB (Stable)	[ICRA]BB (Stable)	NA	NA
3	Bank Guarantee	Short term	5.0	[ICRA]A4	[ICRA]A4	NA	NA

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
Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund based – Cash Credit	-	-	-	20.0	[ICRA]BB (Stable)
Fund based – Term Loans	-	-	Mar 31, 2021 Feb 14, 2028	1.0	[ICRA]BB (Stable)
Non-Fund based – Bank Guarantee	-	-	-	5.0	[ICRA]A4

Source: Liya Infratech Pvt Ltd

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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.
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