

January 27, 2025

## 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	37.00	40.00	[ICRA]BB+ (Negative); Reaffirmed
Short-term – Non-fund based – Bank guarantee	37.00	33.00	[ICRA]A4+; Reaffirmed
Long-term / Short-term – Unallocated	2.00	3.00	[ICRA]BB+ (Negative)/ [ICRA]A4+; Reaffirmed
<b>Total</b>	<b>76.00</b>	<b>76.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation for Liya Infratech Private Limited (LIPL) factors in the company's small scale of operations (despite expected growth) and sustained pressure on its liquidity position due to high working capital intensity, resulting from increasing scale of operations coupled with delays in payments from key customers - Karnataka Industrial Area Development Board (KIADB). Long payment realisation period has led to high WC utilisation (>90% for the 12-month period ending September 2024 and >95% in H1 FY2025), which constrains company's liquidity position. However, ICRA notes that there have been no major bad-debt write-offs. Further, the company has received an enhancement of Rs. 9 crore in its working capital limits (Rs. 3 crore in fund-based and Rs. 6 crore non-fund bases) in January 2025, which is expected to provide some relief. The capital structure remained leveraged with TOL/TNW of 2.0 times as on March 31, 2024. Also, the company's operations are restricted to Karnataka, and the order book remains concentrated, with the top 3 customers and top 3 projects accounting for 98% and 70% of the pending order book respectively. The continuation of Negative outlook on the long-term rating reflects likelihood of sustained pressure on the liquidity, given the increasing scale and consequent higher working capital requirement, with limited buffer in fund-based facility. The company's ability to judiciously manage its working capital cycle, securing timely enhancements in bank lines or arranging need-based funding support from promoters, remain key credit monitorable.

The rating factors in the expectation of an improvement in its scale of operations in the medium term on the back of a healthy orderbook position of Rs. 290 crore as of September 2024 (translates to 2.9 times of its revenues in FY2024) which provides adequate medium term revenue visibility. ICRA notes that company saw a strong revenue growth of 39% year-on-year (YoY) to Rs. 101.2 crore in FY2024 and management expects to cross revenues of Rs. 150 crore/ Rs. 200 crore in FY2025/FY2026 with steady profitability. Further, the ratings, continue to factor in LIPL's established track record in the construction of roads and industrial buildings, along with its reputed client base, comprising mainly Government agencies such as KIADB and National Highway Authority of India (NHAI; rated [ICRA]AAA(Stable)/ [ICRA]A1+), resulting in low counterparty credit risk.

The ratings note the stiff competition in the construction sector, which could put pressure on the new order inflows and the company's exposure to sizeable contingent liabilities in the form of bank guarantees (~Rs. 20 crore as of Apr 2024), mainly for bid-security and security deposits. Nonetheless, ICRA draws comfort from LIPL's execution track record and absence of invocation of guarantees in the past.

## Key rating drivers and their description

### Credit strengths

**Established track record in road and industrial building construction** – Established in 2010, LIPL has a track record of over a decade in the construction industry in Karnataka; its 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 bidding capabilities and order inflow.

**Healthy order book provides medium-term revenue visibility** – LIPL had an outstanding order book of Rs. ~292 crore as of September 2024, translating to 2.9 times of its revenues in FY2024, providing medium-term revenue visibility, which is adequate considering the average execution time of one to two years.

### Credit challenges

**High working capital intensity due to elongated WC cycle** – Despite YoY improvement, the company's working capital intensity has consistently remained high, as reflected in NWC/OI of 44% in FY2024 (Vs. 73% in FY2023 and 61% in FY2022). The elongated working capital cycle is due to high unbilled revenues (Rs. 18.5 crore in Nov-24 Vs. Rs. 41.2 crore in Mar-24 Vs. Rs. 30.3 crore in Mar-23) and/or receivables outstanding (Rs. 21.8 crore as of Nov 8, 2024 Vs. 0.8 crore in Mar-24 Vs. 10 crore in Mar-23), owing to delay in payments from its key customers. The same increases the company's reliance on external debt, as reflected in cash credit limit utilisation of over 90% in the 12-months ended September 2024. Timely enhancement in working capital limits or infusion of funds from the promoter group will remain crucial to support the increasing scale of operations and to mitigate any short-term cash flow mismatches .

**Small scale of operations** – Despite a long track record of operations, the company has a modest scale which restricts its operational and financial flexibility to an extent. While the revenue recovery, post pandemic, had been slow with CAGR of 4% (FY2020-FY2024), FY2024 saw a healthy 39% revenue growth to ~Rs. 101 crore. In 9M FY2025, it has reported revenues of Rs. 110 crore and expects to surpass Rs. 130 crore for the full fiscal. Its ability to consistently improve its scale over the medium term, led by timely and healthy order addition, remains a monitorable.

**High geographical and customer concentration risks** – Most of the projects in the company's order book are in Karnataka, exposing LIPL to region-specific economic and political risks. Additionally, about 97% of the pending order book as of September 2024 was from two customers (NHAI and KIADB), indicating significant customer concentration risk. Nevertheless, the reputed customer profile results in lower counterparty credit risk.

### Liquidity position: Stretched

The company's liquidity position remains stretched due to the elongated WC cycle, minimal free cash balances and limited cushion in FB limits. The FB utilization averaged at 94% for the 12 months that ended in September 2024. ICRA notes that the company has secured enhancement of Rs. 3 crore in FB limits in January 2025, which is expected to provide some liquidity cushion. LIPL has no major capex plans and has repayment obligation of Rs. 8.40 crore in FY2025 and Rs. 3.66 crore FY2026, which can be met from its estimated cash flow from operations. The company's ability to judiciously manage its working capital cycle and securing enhancements in bank lines will remain crucial to support its increasing scale of operations. Additionally, timely funding support from the promoters will remain important in case of any cash flow mismatch.

### Rating sensitivities

**Positive factors** – The outlook will be revised to Stable if the company demonstrates a material improvement in its liquidity position and improvement in overall working capital cycle, while sustaining its scale of operations and profitability metrics.

**Negative factors**– Inability to materially improve its cash conversion cycle and liquidity position will result in a rating downgrade. Moreover, negative pressure on LIPL's ratings could arise if decline in scale of operations, or operating margins, or any significant debt-funded capex results in deterioration in its debt coverage metrics.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Construction</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

LIPL was incorporated in 2010 by Mr. S Abdul Khader and Mrs. Hafeeza Khathijamma for executing civil construction works such as roads and earth works. On August 02, 2011, LIPL 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 the Government of Karnataka. At present, it is executing road construction and other civil construction projects in Karnataka. LIPL undertakes projects for Central Government (MoRTH/NHAI) and state government departments such as Karnataka Industrial Areas Development Board (KIADB) and Karnataka State Small Industries Development Corporation (KSSIDC), Mangaluru Smart City Limited, etc.

## Key financial indicators (audited)

	FY2023	FY2024
Operating income (Rs. crore)	72.8	101.2
PAT (Rs. crore)	2.4	3.1
OPBDIT/OI (%)	15.4%	13.5%
PAT/OI (%)	3.4%	3.1%
Total outside liabilities/Tangible net worth (times)	2.6	2.0
Total debt/OPBDIT (times)	4.3	2.7
Interest coverage (times)	2.3	2.4

Source: Company data, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation  
All ratios are as per ICRA calculations

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Jan 27, 2025	Date	Rating	Date	Rating	Date	Rating
Unallocated	Long Term/Short Term	3.00	[ICRA]BB+ (Negative)/[ICRA]A4+	27-DEC-2023	[ICRA]BB+ (Negative)/[ICRA]A4+	30-SEP-2022	[ICRA]BB+ (Stable)/[ICRA]A4+	18-JUN-2021	[ICRA]BB+ (Stable)/[ICRA]A4+
Non fund based – Bank Guarantee	Short Term	33.00	[ICRA]A4+	27-DEC-2023	[ICRA]A4+	30-SEP-2022	[ICRA]A4+	28-MAY-2021	[ICRA]A4+
				-	-	-	-	18-JUN-2021	[ICRA]A4+
Fund-based – Cash credit	Long Term	40.00	[ICRA]BB+ (Negative)	27-DEC-2023	[ICRA]BB+ (Negative)	30-SEP-2022	[ICRA]BB+ (Stable)	28-MAY-2021	[ICRA]BB+ (Stable)

				-	-	-	-	18-JUN-2021	[ICRA]BB+ (Stable)
Fund-based – Term loan	Long Term	-	-	-	-	-	-	28-MAY-2021	[ICRA]BB+ (Stable)
				-	-	-	-	18-JUN-2021	[ICRA]BB+ (Stable)

### 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: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Cash credit	NA	NA	NA	40.00	[ICRA]BB+(Negative)
NA	Short-term – non-fund based – Bank guarantee	NA	NA	NA	33.00	[ICRA]A4+
NA	Long-term / Short-term – Unallocated	NA	NA	NA	3.00	[ICRA]BB+(Negative)/ [ICRA]A4+

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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