

Press Release

L N Malviya Infraprojects Private Limited

January 04, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.70.00 Cr (Enhanced from Rs.50 Cr)
Long Term Rating	ACUITE BBB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A four plus**) on the Rs.70.00 Cr bank facilities of L N Malviya Infraprojects Private Limited (LNMIPL). The outlook is '**Stable**'.

The rating reaffirmation is on account of comfort drawn from long track record of operations, experience of promoters for over 15 years in the consulting business, reputed government clientele, healthy financial risk profile and adequate liquidity as reflected by healthy cash accruals against repayment obligations and moderate utilization of the working capital facilities. Coupled to that, the healthy unexecuted order book position of the group is expected to add further comfort on revenue visibility going forward.

Bhopal-based L N Malviya Infraprojects Private Limited was incorporated in 2010. The company promoted by Mr. Laxmi Narayan Malviya is engaged in offering engineering consultancy services to the infrastructure sector such as Project Management consultancy, Feasibility studies, Construction super vision, Quality assurance.

About the Group

The Malviya Group (WG) consists of two companies i.e. L N Malviya Infraprojects Private Limited and Highway Engineering Consultants.

Highway Engineering Consultants is a partnership firm established in 2007 by partners Mr. Satya Narayan Malviya, Karuna Malviya, Tapsya Malviya. The firm is engaged in offering engineering consultancy services to the infrastructure sector such as Project Management consultancy, Feasibility studies, Construction super vision, Quality assurance.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of L N Malviya Infraprojects Private Limited and Highway Engineering Consultants together referred as 'Malviya Group'. The consolidation is in view of the common management, operational and financial linkages between the entities. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management and established presence in the infrastructure consulting sector**

The promoter, Mr. Laxmi Malviya (Civil Engineer) has a professional experience of more than 15 years in consulting business. The group over a period of time has developed its execution capabilities across the entire value chain of infrastructure consulting. It has executed projects for various Government agencies such as NHAI (National Highway Authority India), MORTH (Ministry of Road Transport and Highways), state PWD (Public Work Department), MPRDC (Madhya Pradesh Road Development Corporation Ltd), MSRDC (Maharashtra State Road Development Corporation Ltd) and Local municipal bodies.

Acuité believes group's operations will benefit from the promoter's extensive experience of executing projects with various government agencies over the medium term.

- **Improvement in revenue from operations over the years**

The revenue from operations of the group increased 33 percent CAGR over FY2017-20 (Provisional) period on account of increasing order book position and timely execution of the projects. Further, revenues of the group has increased to Rs.200.93 Cr in FY2020 (provisional) from Rs.167.70 Cr in FY2019. The group also has diversified geographic presence across 25 states of the country and has an unexecuted order book position of ~Rs.347 Cr as on October, 2020. Despite covid-19 pandemic, the group was able to generate revenue of around ~Rs.130.00 Cr in FY2021 (till October, 2020) and is expected to maintain growth in revenues on account of healthy order book position in FY2021.

Acuite believes that the group will continue to improve the performance in operations over the medium term on account of healthy order book position and well diversified geographic presence.

- **Healthy financial risk profile**

The financial risk profile of the group stood healthy marked by healthy net worth, debt protection metrics and debt coverage indicators. The net worth of the group stood at Rs.85.83 Cr as on 31 March, 2020 (provisional) as against Rs.64.44 Cr as on 31 March, 2019. The gearing (debt-equity) stood low at 0.07 times as on 31 March, 2020 (provisional) as against 0.01 times as on 31 March, 2019. The coverage indicators stood comfortable marked by Interest Coverage Ratio (ICR) of 13.98 times for FY2020 (provisional). The NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 6.27 times in FY2020 (provisional) and Debt to EBITDA stood at 0.12 times in FY2020 (provisional).

Acuite believes that the financial risk profile of the group is expected to remain healthy backed by moderate net cash accruals over the near to medium term.

Weaknesses

- **Off balance sheet exposure in the form of performance bank guarantees**

The group gives performance bank guarantees for the projects it undertakes such as supervision, quality assurance, and preparation of Detailed Project Report (DPR) among others which normally ranges from 5 percent to 10 percent of the total contract value. The outstanding bank guarantee position of the group stood at Rs.56.45 Cr as on November, 2020 as against net worth of Rs.85.83 Cr as on 31 March, 2020 (provisional).

- **Competitive and fragmented industry coupled with tender based business**

The group is engaged as consultant for infrastructure sector. The particular sector is marked by the presence of several other players. The group faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts and hence the group has to make a bid for such tenders on competitive prices. However, this risk is mitigated to an extent on account of extensive experience of the management of the group.

Rating Sensitivities

- Improvement in scale of operations with improvement in profitability
- Sustenance of healthy financial risk profile
- Timely disclosure of any events pertaining to the group from the management

Material Covenants

None

Liquidity Profile- Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.35.38 Cr for FY2020 (provisional) while its maturing debt obligations were Rs.1.20 Cr for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.34.50 Cr to Rs.44.34 Cr during 2021-23 period against repayment obligation of around Rs.1.20 Cr to Rs.1.30 Cr during the same period. The group maintains unencumbered cash and bank balances of Rs.8.61 Cr as on 31, March, 2020 (provisional) and the current ratio stood healthy at 2.46 times as on 31 March, 2020 (provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and healthy order book position. The

outlook may be revised to 'Positive' in case the group registers higher- than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	200.93	167.70
PAT	Rs. Cr.	32.29	30.22
PAT Margin	(%)	16.07	18.02
Total Debt/Tangible Net Worth	Times	0.07	0.01
PBDIT/Interest	Times	13.98	15.43

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Oct-2019	Cash Credit	Long Term	1.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
	Proposed Bank Facility	Long Term	4.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	19.00	ACUITE A3+ (Upgraded from A3)
	Proposed Bank Facility	Short Term	26.00	ACUITE A3+ (Upgraded from A3)
29-Oct-2018	Cash Credit	Long Term	1.00	ACUITE BBB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	8.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	47.00	ACUITE A3+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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