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L N Malviya Infra Projects Private Limited

June 27, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.00	IVR BBB/ Stable (IVR triple B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facility	175.00	IVR A3+ (IVR A three plus)	-	Assigned	Simple
Total	200.00 (Two hundred crore only)		-		

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the L N Malviya Infra Projects Private Limited (LNMIPPL) considers the common management team and business & financial linkages between LNMIPPL and its group company, Highway Engineering Consultants (HEC). Infomerics has taken a combined view of these entities referred together as “Group”.

The ratings assigned to bank facilities of the Group considers experienced promoters, healthy order book position, comfortable capital structure and satisfactory debt protection metrics and a sustained increase in topline and profits. The ratings are, however, constrained by intense competition in engineering consultancy business, vulnerability to macro-economic scenario and sectoral concentration risks and partnership nature of HEC which carries risk of capital withdrawal.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Effective working capital management with improvement in operating cycle and liquidity of the group



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Downward Factors

- Decline in operating income and/or moderation in profitability impacting the debt coverage indicators
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings to more than 90% on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters of the entities, Mr. Laxmi Narayan Malviya and Mr. Satya Narayan Malviya have extensive experience of over two decades in the engineering consultancy services industry and have worked with reputed clients like NHAI and MPRDC.

- **Healthy orderbook position**

The Group has a healthy order book position of ~Rs. 1487 crore (Rs. 1,190.7 crore for LNMIPPL and Rs. 296.64 crore for HEC as on March 1, 2024 (prov) (refers to period April 1st, 2023, to Mar 31, 2024)) translating to ~4 times of FY2024 (prov) total operating income, which provides near-term revenue visibility. LNMIPPL has diversified its business into the engineering, procurement and commissioning (EPC) segment with Rs. 322 crore of projects related included in the order book which relates to supply of drinking water from Madhya Pradesh Jal Nigam.

- **Comfortable capital structure and satisfactory debt protection metrics**

The capital structure of the Group remained comfortable as on the past three account closing dates. Total debt as on March 31, 2024 (prov) was 114.82 crore compared with Rs. 65.30 crore as on March 31, 2023 (refers to period April 1st, 2022, to Mar 31, 2023). The increase in total debt was due to term loan taken of Rs. 36.50 crore taken for purchase of land and machinery. The company has purchased a land which will used to develop plots and offices. Other loan will be used to purchase machinery. Adjusted tangible networth was Rs. 218.17 crore as on March 31, 2024 (prov) compared with Rs. 156.83 crore as on March 31, 2023. The overall gearing ratio was 0.53 times as on March 31, 2024 (prov) compared with 0.42 times as on Mar 31, 2023, and 0.06 times as on March 31, 2022 (refers to period April 1st,



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2021, to Mar 31, 2022) on account of increase in total debt as on March 31, 2024 (prov) as compared to March 31, 2023. Infomerics expects the capital structure of the group to remain comfortable in the near term with no major debt funded capex. Further, the debt coverage indicators as depicted by ISCR stood satisfactory at 18.92 x in FY24 (prov) compared with 17.47x in FY23 (15.84x in FY22) and DSCR was 13.93 times in FY24 (prov) compared with 12.68x in FY23 (11.36x in FY22). Total Debt/ EBITDA stood at 1.36 times as on March 31, 2024 (prov) (1.02 times as on March 31, 2023).

- **Sustained increase in topline and profits**

Total operating income at combined level has increased at a CAGR of ~22% over from FY 22 to FY24 (prov) on account of better execution of orders. EBITDA margin of the group remained satisfactory at ~22-23% over the past three fiscal years. Further, owing to the increase in revenue, EBITDA level has also increased over the years. The PAT margin of the group also remained healthy over the aforesaid period but has declined slightly from 17.13% in FY22 to 16.23% in FY23 and 15.76% in FY24 (prov) due to increase in interest and depreciation. Gross cash accruals have also improved over the aforesaid period and remained healthy at Rs. 64.76 crore in FY24 (prov) compared with Rs. 50.72 crore in FY23. Going forward, Infomerics expects an increase in topline and profit given a healthy order book position.

Key Rating Weaknesses

- **Intense competition in the engineering consultancy business**

The entities procure orders through competitive bidding. With multiple players in the independent engineering consultancy services segment, the entities face stiff competition, which could constrain their ability to procure new orders. LNMIPPL is has undertaken EPC projects, which exposes the entity to inherent risks in the EPC segment. Being a relatively new participant, its ability to win and successfully execute orders while sustaining its margins and improving its overall liquidity position will be a key monitorable.

- **Vulnerability to macro-economic scenario and sectoral concentration risks**

Road and highway projects constituted nearly 46% of the unexecuted order book exposing the entities to sectoral concentration risk. Nevertheless, the LNMIPPL has diversified into EPC



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segment with a water supply project. This will help in diversifying its revenue profile over the medium to long term.

- **Partnership nature of HEC carries risk of capital withdrawal**

HEC, being a partnership firm, remains exposed to the risk of capital withdrawal which could impact its capital structure and liquidity position, as reflected by a capital withdrawal of Rs.20.34 crore in FY2023. Going forward, capital withdrawals materially impacting liquidity and leverage metrics will be a credit negative and will be a key rating monitorable.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of L N Malviya Infra Projects Private Limited and Highway Engineering Consultants. This is because these companies have common management, business and financial linkages. List of companies considered for consolidation/combined analysis is given at Annexure 4.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Consolidation of Companies](#)

Liquidity – Adequate

The liquidity position of the Group is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals of ~Rs.106-161 crore as against its minimal repayment obligations of Rs. 2.40-2.58 crore during FY25-FY27. However, the average working capital limit utilization was ~88% during the past twelve months ending March 2024, leaving the entities with a little liquidity buffer.

About the Company

L N Malviya Infra Projects Private Limited was established in year 2005 in the name of M/s L N Malviya – Contractor and Consultant and incorporated in year 2010 in the name of M/s. L N Malviya Infra Projects Private Limited Located out of Bhopal, the company is a civil



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engineering consultancy with the aim of participating in the infrastructure development of the nation by providing professional engineering consultancy services. LNMIPPL has recently diversified in the EPC segment, with orders from Madhya Pradesh Jal Nigam. The scope of work involves setting up of rural drinking water pipelines under National Jal Jeevan Mission.

About the Group

L N Malviya Infra Projects Private Limited and Highway Engineering Consultants are both in the business of engineering consultancy serving Central Government Departments such as National Highway Authority of India, Ministry of Road Transports & Highways, National Highway Authority of India, Central Public Works Department, Border Roads Organisation-BRO, etc. and many State Government Departments. Since the entities cater to the Government projects, it ensures lower counter party risk. Moreover, an established relationship with a reputable clientele base has ensured repeated orders due to timely execution and quality of services. The entities are providing different services like Preliminary Design Services, Construction supervision, Project management consultancy, Feasibility studies, Quality audit and assurance, Survey and investigation works, Settlement of claims, Reformation and training, Techno-Economic Feasibility studies, Safety audit and Detailed project engineering.

Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	286.77	381.36
EBITDA	64.10	84.21
PAT	46.95	60.30
Total Debt	65.30	114.82
Tangible Net Worth	156.83	218.17
EBITDA Margin (%)	22.35	22.08
PAT Margin (%)	16.23	15.76
Overall Gearing Ratio (x)	0.42	0.53
Interest Coverage (x)	17.47	18.92

* Classification as per Infomerics' standards.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	234.02	326.47
EBITDA	50.54	67.94
PAT	34.71	46.90
Total Debt	47.73	100.94
Tangible Net Worth	124.67	172.59
EBITDA Margin (%)	21.60	20.81
PAT Margin (%)	14.73	14.31
Overall Gearing Ratio (x)	0.38	0.58
Interest Coverage (x)	22.36	26.54

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: As per PR dated March 26, 2023, Brickworks Ratings continued to keep the ratings in the non-cooperating category due to non-cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
					-	-	-
1.	Cash Credit	Long Term	25.00	IVR BBB/Stable	-	-	-
2.	Bank Guarantee	Short Term	125.00	IVR A3+	-	-	-
3.	Overdraft	Short Term	10.00	IVR A3+	-	-	-
4.	Letter of Credit	Short Term	40.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-		IVR BBB/ Stable
Overdraft	-	-	-	-		IVR A3+
Bank Guarantee 1	-	-	-	-		IVR A3+
Bank Guarantee 2	-	-	-	-		IVR A3+
Letter of Credit	-	-	-	-		IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-LN-Malviya-june24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for Combined analysis:

Name of the company/Entity	Combined Approach
L N Malviya Infra Projects Private Limited	Full Combined
Highway Engineering Consultants	Full Combined

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.