



Press Release

Lion Engineering Consultants Private Limited

March 28, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.03	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	68.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	94.03 (Rupees Ninety- Four Crore and Three Lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Lion Engineering Consultants Private Limited (LECPL) considers the close operational and financial linkages between LECPL and Synergy Engineers Group Private Limited (SEGPL) (commonly referred as Lion group). The ratings derive strength from the extensive experience of the Group's promoters in the field of engineering consultancy services, healthy orderbook position and stable business performance with healthy profitability of the Lion group. The ratings also positively factor in Lion group's comfortable capital structure and satisfactory debt protection metrics. However, these rating strengths remain constrained by group's exposure to project execution risk. The ratings also consider intense competition in the engineering consultancy business and inherent risks in hospitality segment.

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
- Improvement in the capital structure of the group with overall gearing below 0.50x
- Effective working capital management with improvement in operating cycle and liquidity of the group

Downward Factors:



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- Decline in operating income and/or moderation in profitability impacting the debt coverage indicators
- Moderation in the capital structure with moderation in overall gearing to over 1.5x
- 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

- **Extensive experience of the promoters**

Lion Group is promoted by Mr. Omkarnath Sharma, who is a B.E. (Civil) and has an experience of over three decades in the field of engineering consultancy services. This enables the group to carry out their operations efficiently. The group will continue to benefit from its promoters' extensive experience and his strong understanding of the market dynamics.

- **Healthy orderbook position**

The group has outstanding orders worth ~Rs. 538 crore as on November 2023, which is around 3.77 times of the total revenue as on March 31, 2023. Major clients are either government entities or government undertakings. Therefore, there is revenue visibility in the near future along with lower counter party credit risk.

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

The capital structure of the group remained comfortable as on the past three account closing dates. The overall gearing ratio has improved from 1.24x as on Mar 31, 2022 to 0.89x as on March 31, 2023 on account of increase in net worth due to accretion of profits to reserves. 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 ICR stood satisfactory at 5.47x in FY23 (5.55x in FY22) and Total Debt/ EBITDA stood at 1.73 times as on March 31, 2023 (2.04 times as on March 31, 2022).



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- **Stable business performance with healthy profitability**

Total operating income (TOI) of Lion group has increased at a CAGR of ~13% over FY21-FY23 with a y-o-y growth of ~15% on account of better execution of orders. EBITDA margin of the group remained satisfactory at ~13% 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 and witnessed gradual improvement from 6.67% in FY21 to 7.14% in FY23. Consequently, gross cash accruals have also improved over the aforesaid period. Further, in 9MFY24, the group achieved an operating revenue of Rs. 143.25 crore.

Key Rating Weakness:

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

The engineering consultancy industry in India is fragmented and intensely competitive in nature with the presence of multiple local, national and few foreign players. Moreover, being tender based business, the revenues are dependent on the company's eligibility and its ability to execute the projects in time bound manner. However, Lion group's long industry experience, established relationship with reputed clientele and its diversification into different segments mitigate this risk to some extent.

- **Inherent risks in hospitality segment**

The group has ventured into hospitality segment with a resort in Madikheda. The resort commenced its operation from February 2024, after a delay of around 10 months (COD: April, 2023). However, the hospitality segment is susceptible to various factors including tourist arrivals, social and economic changes, consumer preferences, etc. Therefore, scaling up of hospitality operations post commencement of their operations and realisation of envisaged benefit therefrom shall remain a key rating monitorable.

- **Exposure to project execution risk**

LECPL & SEGPL along with Serman India Road Makers Pvt Ltd (SIRMPL) and Mr. Neeraj Vijay promoted SSN Annapurna Heights LLP in July 2022 in Madhya Pradesh to develop land, colonies, shades, building, structures, residential, commercial plots, & sheds, roads, bridges and other construction related work. The first undertaken project includes construction of a new District Jail at Kadhai Gram, Betul (MP) and re-development of Compulsory Land Parcel



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(CLP) by construction of a commercial and residential building along with a mall in vicinity to existing district jail at Civil Station, sheet no. 12, plot no. 13, Betul (MP) awarded by Madhya Pradesh Housing & Infrastructure Development Broad (MPHIDB) under Re-densification Policy, 2016 of Government of Madhya Pradesh (GoMP). The total cost of the project is estimated at Rs.243.81 crore which is to be funded through promoters' contribution of Rs. 25.16 crore, debt of Rs. 50 crore and balance through customer advances. Lion group shall be required to infuse equity support of ~Rs.13 crore, out of which ~Rs. 9 crore has been infused till Feb 2024.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the financials of Lion Engineering Consultants Private Limited (LECPL) and Synergy Engineers Group Private Limited (SEGPL) referred as Lion Group hereafter as these companies have managerial, operational & financial linkages and both the entities are engaged in the similar line of businesses. The list of companies is given in **Annexure 2**.

Applicable Criteria:

[Rating Methodology for Service Sector Entities](#)

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

[Criteria Of Assigning Rating Outlook](#)

[Consolidation of Companies](#)

[Policy on default Recognition](#)

[Criteria on complexity](#)

Liquidity Position: Adequate

The liquidity position of Lion group is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals of Rs.16-22 crore as against its repayment obligations of Rs. 1.8-2.75 crore during FY24-FY26. Moreover, the average working capital limit utilisation was ~84% during the past twelve months ended November 2023, leaving the group with a moderate liquidity buffer.



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About the Company

Lion Engineering Consultants Private Limited (LECPL) was established in 2002 as a partnership firm. In January 2020, the constitution was changed to private limited company. The company is engaged in providing engineering consultancy service in the multi dimensions of the infrastructure sector like roads, highways, bridges, railways, ROBs, tunnels, buildings, urban developments and transportation. Currently, the company is headed by Mr. Omkar Nath Sharma and Mr. Navneet Sharma.

About the Group

The promoters of Lion Group have been in the field of engineering consultancy services for more than three decades. The companies operating under Lion Group are Lion Engineering Consultants Private Limited (LECPL) and Synergy Engineers Group Private Limited (SEGPL), which are all controlled by the same management.

Financials (Combined):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Combined	Combined
Total Operating Income	124.39	142.47
EBITDA	15.92	18.83
PAT	8.37	10.22
Total Debt	32.55	32.65
Tangible Net worth	26.30	36.59
EBITDA Margin (%)	12.80	13.22
PAT Margin (%)	6.71	7.14
Overall Gearing Ratio (x)	1.24	0.89
Interest Coverage Ratio (x)	5.55	5.47

*As per Infomerics' Standard

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	112.49	128.03
EBITDA	12.18	14.11
PAT	6.72	8.18
Total Debt	19.51	18.77
Tangible Net worth	18.71	26.73
EBITDA Margin (%)	10.83	11.02



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For the year ended* / As On	31-03-2022	31-03-2023
PAT Margin (%)	5.95	6.35
Overall Gearing Ratio (x)	1.04	0.70
Interest Coverage Ratio (x)	6.51	5.86

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Care Edge Ratings has moved the rating of Lion Engineering Consultants Private Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release/publication dated January 10, 2024.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating s	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	1.03	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB/ Stable	-	-	-
3.	Bank Guarantee	Short Term	68.00	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).



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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 visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan 1	-	-	Jul 2026	0.43	IVR BBB/ Stable
Term Loan 2	-	-	May 2028	0.27	IVR BBB/ Stable
Term Loan 3	-	-	Aug 2024	0.33	IVR BBB/ Stable
Cash Credit	-	-	-	25.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	68.00	IVR A3+
Total				94.03	

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
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Lion Engineering Consultants Private Limited (LECPL)	Full consolidation
Synergy Engineers Group Private Limited (SEGPL)	Full consolidation

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-LionEngineering-mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

