

## LEAPFROG ENGINEERING SERVICES LIMITED

December 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	40.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Leapfrog Engineering Services Limited (LESL) remain tempered by moderate scale of operations, working-capital-intensive nature of business as reflected by elongated receivable cycles translating in to higher level of bank limit utilisation, exposure to high customer concentration, and dependence on milestone-based collections which exposes the company to counterparty risk, especially in new international markets. The ratings also factor the company's presence in a highly competitive and fragmented engineering, procurement, construction and commissioning (EPCC) landscape, exposure to tender-driven business, and the inherent execution risks associated with large overseas turnkey projects.

In order to enter newer markets, the company had offered longer credit terms to one of its large customers, resulting which the receivable had significantly increased to Rs.108 crore as on March 31, 2025 from Rs.12 crore as at March 31, 2024, which however, improved to Rs.66 crore as on December 08, 2025. Despite decrease in overall receivable, the receivables beyond 180 days continue to remain high. Hence, the ability of the company to realise the receivable in a timely manner thereby resulting in lower working capital utilisation remain a key monitorable.

The ratings, however, draw strength from experienced promoters with over two decades of presence in EPCC segment, its healthy and improving profitability profile, comfortable capital structure supported by equity infusion in FY25 through pre IPO placement, and a strong un executed order book position of ₹381 crore providing medium-term revenue visibility.

The CARE Edge ratings take note of that the company has filed a DRHP in February 2025 and plans to raise funds to an extent of about Rs.70 to 80 crore in the near term.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained scale up in Total Operating Income (TOI) above ₹250 crore with maintaining PBILDT margins over 15% on a sustained basis.
- Reduction in gross current asset (GCA) days to below 200 days and receivable days below 120 days on a sustained basis, resulting in reduced utilisation of banking limits thus providing liquidity cushion.

#### Negative factors

- Decline in TOI below ₹100 crore or PBILDT margin falling below 12% on a sustained basis.
- Stretch in working capital cycle with GCA days exceeding 250 days or receivable days above 180 days.
- Significant increase in debt levels, deterioration in capital structure with Overall Gearing above unity.

**Analytical approach:** Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that LESL will continue to benefit from export order book and demonstrated ability to execute medium-to-large scale EPC projects coupled with experienced promoter.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations

Leapfrog Engineering Services Limited's total operating income (TOI) has witnessed sharp growth over the past four years, increasing from ₹23.51 crore in FY21 to ₹162.32 crore in FY24, reflecting a strong CAGR driven by large export EPC orders.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

However, the company reported a moderation of around 15.9% in TOI to ₹136.48 crore in FY25, primarily due to large part of FY25 was spent on service-heavy executions while material supply and revenue billing was done in subsequent quarters in FY26. Although the revenue is on an increasing trend, it remains volatile and is dependent on the order inflow and timely execution.

#### **High customer and geographical concentration risk**

Leapfrog remains exposed to high customer concentration, although the risk moderated slightly in FY25. During FY24, the top 10 customers contributed around 99% of the total turnover (₹155.98 crore out of ₹162.32 crore), indicating extremely high dependence on a few clients. In FY25, the concentration reduced marginally with the top 10 customers contributing about 85% of total income (₹115.12 crore out of ₹136.48 crore). Despite this improvement, the revenue base continues to remain highly concentrated, exposing the company to the risk of volatility in orders and cash flows in case of delay or loss of any major customer.

The company is also exposed to geographical concentration at the country level. In FY23 and FY24, exports were largely driven by Kuwait, which contributed ₹87.05 crore and ₹140.20 crore respectively, forming the majority of total revenues in those years. In FY25, the concentration shifted to Bahrain, which alone contributed ₹70.03 crore out of total revenues of ₹134.66 crore, accounting for over 50% of turnover, while Kuwait's share declined sharply to ₹13.47 crore. Although this reflects market diversification at a client level, country-level dependence continues to remain high, making revenues vulnerable to regional economic and project-related risks. Further, the company faces state-wise concentration within its domestic operations. Karnataka continued to be the dominant contributor, accounting for 62% of domestic revenue in FY23, 71% in FY24, and as high as ~73% in FY25. The remaining domestic revenues were spread across a few states such as West Bengal, Andhra Pradesh and Maharashtra with relatively small contributions. This high reliance on a single state exposes the company to local execution, policy and competitive risks, thereby limiting geographical diversification within India

#### **Working capital intensive operations with elongated receivable cycle**

The company used to follow a mile stone based approach till FY24, with most of its customers, wherein, the company used to get 10% advance, while the balance 80-90% on a milestone basis, resulting which the company used to realise almost 80% by the time it dispatches the final product. However, in FY25, in order to enter the other markets of middle east particularly Bahrain, the company had given a credit of 90 days, resulting in stretched receivable.

Working capital pressures intensified in FY25, with receivable days increasing sharply to 161 days (31 days in FY24) after the company extended 90-day credit to a new Middle East customer. This resulted in negative CFO of ₹21 crore and increased dependence on supplier credit (creditor days rose to 123). Although the company has transitioned to LC-backed billing for major export clients expected to normalise receivables from H2FY26 working capital intensity remains structurally high given milestone-based execution and customer concentration in a few overseas markets. Any delay in collections, LC issuance, or customer acceptance continues to pose liquidity risk and is a key monitorable for the rating.

#### **Exposure to raw material price fluctuation risk with limited cost pass-through**

Leapfrog Engineering Services Limited is exposed to raw material price volatility, as raw material cost accounted for around 57% of the total operating cost in FY25. Key inputs include power transformers, switchgears, relays, panels, cables, conductors, and structural steel, which are largely procured domestically. The company does not have long-term procurement contracts with its suppliers, which makes it vulnerable to fluctuations in prices of steel, copper, and electrical equipment. The company's modest scale of operations and presence in a highly competitive environment limit its ability to fully pass on cost increases, particularly for fixed-price export and domestic contracts. Any sharp increase in input prices during the project execution phase can therefore lead to margin pressure and volatility in profitability, especially for projects with longer execution cycles.

#### **Intensely competitive and tender-driven nature of operations**

Leapfrog Engineering Services Limited operates in a highly competitive and tender-driven EPC business, where order inflows and growth are dependent on the company's ability to successfully win competitive bids. The presence of several domestic and international players, including large multinational companies, limits pricing flexibility and bargaining power, thereby exposing the company to the risk of aggressive bidding and pressure on profitability margins.

Execution also depends on timely customer approval of drawings, milestone clearances, and shipment schedules. Delays in customer approvals or geopolitical disruptions in Middle Eastern markets could affect the company's revenue timing and cash flows.

#### **Vulnerability to forex fluctuations and international logistics risks**

Although material cost advantages support margins, the company is exposed to currency volatility and shipping delays inherent in export-heavy projects. Even though freight is often recovered from customers, disruptions in ports, customs clearance delays, or changes in logistics terms can impact project timelines. Lack of a formal hedging policy increases exposure to forex risk.

## Key strengths

### Experienced promoters with strong engineering capability

LESL benefits from the extensive domain experience of its promoters, who bring more than two decades of expertise in EPCC contracting across electrical, automation, and industrial system integration. The company's ability to undertake complex engineering-intensive assignments stems from its in-house design and modular substation capabilities, allowing it to deliver projects from application engineering through commissioning. The management's strategy of completing up to 60% of engineering work before order award provides a structural advantage, significantly reducing execution time and strengthening customer confidence. This has directly contributed to LESL's improved win rate in export markets, reflected in its order book of ₹381 crore, which stands at nearly 2.8x of FY25 revenues, providing medium-term revenue visibility.

### Export-driven business model with superior margin profile

The company derives around 80% of revenue from export orders, primarily from Kuwait and newly entered Bahrain. Export projects command relatively higher PBILDT margins well above domestic margins and this margin differential helped LESL sustain strong profitability even in FY25 despite a revenue decline. FY25 PBILDT margin stood at 18.09%, supported by execution of high-margin engineering-heavy work. The rising contribution of service and automation engineering in H1FY26 further strengthened operating profitability, with PBILDT of ₹5.75 crore on revenue of ₹41.73 crore, representing margins above 15%. The ability of the company to improve scale and maintain PBILDT margins at current level remain key monitorable.

### Robust engineering differentiation and competitive positioning

LESL derives a competitive advantage from its lean engineering cost structure, which enables it to compete effectively with much larger players. The company completes a significant portion of engineering at the bid stage itself, allowing quicker mobilisation after order award. This cost-efficient and execution model has supported the company in securing large export orders and building a healthy order book despite its relatively modest scale. Hence, its ability to maintain lower costs and sustain profitability margins at an increased scale will remain a key monitorable.

### Comfortable capital structure and debt coverage indicators, as a result of improved profitability and infusion of fresh equity by private placement (Pre IPO)

The capital structure improved materially in FY25 as net worth increased to ₹53 crore as on March 31, 2025 (FY24 end: ₹21.5 crore) following strong accruals and equity infusion. Overall gearing improved to 0.38x, and TD/PBILDT remained low at 0.81x, reflecting limited reliance on debt and an asset-light operational model. Interest coverage remained comfortable at 7.8x in FY25. However, the utilisation of bank limits remained high, with utilisation of limits over 90% in most months over last 9 months ended November 2025. The company has raised Rs.15.80 crore of equity from a group of investors. Thus improving the networth base to Rs.53 crore as on March 31, 2025.

Also, the company is planning an IPO on SME platform estimated to raise ~₹78–80 crore. Accordingly, the company has filed a DRHP in February 2025, which would depend on regulatory procedures. Hence, timely raising of IPO and accruing envisaged benefit from the IPO remains to be seen.

### Liquidity: Stretched

LESL's liquidity remains stretched, marked by a sharp increase in its debtor collection period to 161 days in FY25, compared with 31 days in FY24, reflecting extended credit offered to a major international customer. Consequently, the company's Gross Current Asset (GCA) days increased to 236 days in FY25 from 75 days in FY24, indicating higher working capital blockage and a negative operating cash flow of ₹21 crore during the year. Fund-based working capital utilisation has remained elevated at around 83% over the past twelve months, while non-fund-based utilisation has hovered near 67%. Despite these constraints, liquidity is partly supported by cash balance of ₹8.29 crore, and a low repayment obligation on existing term debt. Furthermore, the company's shift towards LC-based collection terms is expected to materially shorten the receivable cycle. The company plans to raise approximately Rs.70 crore to ₹80 crore through the public issue, following a successful private placement of ₹15.8 crore completed earlier in FY25. Accordingly, the company has filed a DRHP in February 2025. Although, the company plans to come out with an IPO in the near term, however, it is subject to market conditions and regulatory timelines.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Bengaluru (Karnataka) based Leapfrog Engineering Services Limited (LESL) was incorporated in May 2005. The company is an EPC player engaged in business of engineering contracting and providing turnkey solutions across electrical systems, instrumentation, industrial automation, fire protection, building automation and modular substations. LESL is managed by promoters Prabhav Narasimha Rao & Priyashaila Prabhav Rao along with support of other directors.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	162.32	136.48
PBILDT*	25.62	24.69
PAT	16.01	16.22
Overall gearing (times)	0.66	0.38
Interest coverage (times)	9.90	7.78

A: Audited; Note: these are latest available financial results

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	40.00	CARE BB; Stable / CARE A4

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based/Non-fund-based-LT/ST	LT/ST	40.00	CARE BB; Stable / CARE A4				

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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