

September 22, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BB/Stable (Assigned)
Bank Guarantee	10.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.19.00 crore bank facilities of Jainco Buildcon Limited (JBL). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to customer concentration risk with high dependence on orders received from the state government. The ratings are also constrained by the company's exposure to risk of delays in project execution. The ratings note that the company operates in a competitive segment of the civil construction industry. However, the ratings are supported by the company's long track record of operations, healthy financial profile, established association with customers and experienced management. The ratings are also supported by the company's moderate liquidity position.

JBL, established in 1985, is a Delhi-based company engaged in undertaking construction and development projects related to water supply, sewerage and drainage works. JBL is exposed to customer concentration risk arising from high dependence on orders floated by the Delhi Jal Board (DJB). The company's operations are susceptible to political uncertainties which may result in delays in receipt of payments and project approvals from the Delhi state government. JBL operates in a competitive segment of the civil construction industry.

JBL's healthy financial profile is marked by net profit margin of 3.31 per cent (provisional) in FY2013-14 (refers to financial year, April 01 to March 31) and leverage of 1.24 times (provisional) as on March 31, 2014. The company's comfortable coverage indicators are reflected in interest coverage ratio of 4.40 times (provisional) and debt service coverage ratio (DSCR) of 3.38 times (provisional) in FY2013-14.

JBL benefits from its established association of around 12 years with DJB. The company also benefits from its qualified and experienced management. Mr. Naresh Jain, managing director of JBL, has around three decades of experience in the civil construction industry. Mr. Yatin Jain (son of Mr. Naresh Jain) is a qualified civil engineer and has joined the company in 2012. JBL's moderate liquidity position is evidenced by average utilisation (54.64 per cent) of cash credit during January 2014 to July 2014.

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Outlook: Stable

SMERA believes JBL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers. The outlook may be revised to 'Positive' in case the company generates healthy cash flows while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of stretch in the company's liquidity position, or in case of delays in execution of projects undertaken by the company.

About the company

JBL, established as a proprietorship concern in 1985, was converted into a private limited company in 1997 and constituted as a public limited company in 2006. JBL is a Delhi-based civil contractor engaged in undertaking construction and development projects related to water supply, sewerage, and drainage works. The company is a 'Class I' contractor registered with the Delhi Jal Board (DJB). JBL is also enlisted as 'Category - I AA Contractor' with the Public Health Engineering Department (PHED), Rajasthan and 'Category - I Contractor' with the Irrigation Department, Haryana. JBL also executes contracts for Larsen & Toubro (L&T) and Delhi Metro Rail Corporation (DMRC). The overall operations of the company are currently managed by Mr. Naresh Jain and Mr. Yatin Jain.

For FY2013–14 (as per provisional financial statements), JBL reported profit after tax (PAT) of Rs.1.69 crore on revenue of Rs.51.00 crore, as compared with PAT of Rs.0.55 crore on revenue of Rs.26.08 crore in the previous year. JBL's net worth stood at Rs.9.14 crore (provisional) as on March 31, 2014, as compared with Rs.6.65 crore a year earlier.

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