

Press Release

J P Enterprise

September 03, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 51.44 Cr. (Enhanced from Rs.17.15 crore)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to Rs. 48.44 crore bank facilities of J P Enterprise (JPE). The outlook is '**Stable**'.

Further, Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 3.00 crore bank facilities of J P Enterprise. The outlook is '**Stable**'.

JPE was established in 1985 as a partnership firm by Mr. Kantilal Shah and his son, Mr. Rajan Shah. The firm is engaged in providing civil contracting services for roads, building and other infrastructure work for government bodies such as Municipal Corporation Greater Mumbai (MCGM), Pune Municipal Corporation (PMC), Udgir Municipal Corporation (UMC), Aurangabad Municipal Corporation (AMC), among others.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

JPE was established in 1985 as a partnership firm by Mr. Kantilal Shah and Mr. Rajan Shah. The promoters are in this line of business for over three decades. The third line of management includes, Mr. Shagun Shah, son of Mr. Rajan Shah who has joined the firm since 2013. The long track record has enabled the firm to execute several projects across Maharashtra.

- **Moderate financial risk profile**

JPE has moderate financial risk profile backed by moderate net worth of Rs.22.11 crore in FY2018 (Provisional) as compared to Rs.16.09 crore in FY2017 mainly on account of retention of current year's profit. Net Worth includes the promoters' contribution in the form of unsecured loans of Rs.4.37 crore as quasi equity. Gearing of the firm has improved from 1.32 times in FY2017 to 1.09 times in FY2018 (Provisional). Coverage indicator as ISCR has improved from 2.79 times in FY2017 to 3.37 times in FY2018 (Provisional). TOL/TNW has improved to 2.37 times in FY2018 (Provisional) from 2.97 times in FY2017.

- **Healthy order book position**

J P Enterprises has healthy order book position marked by current orders at hand of Rs.601.72 crore which visualizes a better revenue growth over medium term.

Weaknesses

- **Competitive industry scenario**

The firm is engaged as a civil contractor. The particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the management has been operating in this environment for the last 3 decades.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the firm to arrive at the rating.

Outlook: Stable

Acuite believes JPE will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm sustains and executes healthy order book position and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	123.02	66.21	71.51
EBITDA	Rs. Cr.	10.14	4.04	6.19
PAT	Rs. Cr.	6.80	1.95	4.52
EBITDA Margin	(%)	8.25	6.11	8.66
PAT Margin	(%)	5.53	2.94	6.32
ROCE	(%)	23.48	11.39	42.96
Total Debt/Tangible Net Worth	Times	1.09	1.32	0.66
PBDIT/Interest	Times	3.64	2.79	4.51
Total Debt/PBDIT	Times	2.20	4.28	1.64
Gross Current Assets (Days)	Days	116	171	111

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instruments/Facilities	Term	Amount (Rs.Cr.)	Ratings/Outlook
12-May-2017	Cash Credit	Long Term	7.15	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Indicative)
18-Dec-2015	Cash Credit*	Long Term	7.15	ACUITE BB /Stable (Upgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Upgraded)
7-Apr-2015	Cash Credit*	Long Term	7.15	ACUITE BB- /Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4 (Assigned)

*Interchangeable to the extent of Rs.2.00 crore with Bank Guarantee

*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	11.44 (enhanced from Rs.7.15)	ACUITE BB/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	37.00 (enhanced from Rs.10.00)	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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