

Press Release

JCC Infraprojects Private Limited

February 06, 2023



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	14.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	63.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	12.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	105.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long term rating from '**ACUITE B+**' (read as **ACUITE B Plus**) to '**ACUITE BB**' (read as **ACUITE Double B**) and short term rating from '**ACUITE A4**' (read as **ACUITE A four**) to '**ACUITE A4+**' (read as **ACUITE A Four plus**) on the Rs.26.00 crore bank facilities of JCC Infraprojects Private Limited(JIPL).

Further Acuite has assigned long term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four plus**) on the Rs. 79.00 crore bank facilities of JIPL.

The outlook is '**Stable**'.

Rationale for Upgrade

The rating on JIPL takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and moderate financial risk profile.

About the Company

JIPL, incorporated in 2014 (the erstwhile Jain Construction Co., a partnership firm established in 1986) is an Ajmer-based company promoted by Ajay Kumar Jain and family. The Company engaged in construction of railways siding, broad gauge conversion, government buildings like hospitals, colleges and railways stations, major & minor bridge etc.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

JCC Infra projects Private Limited (JIPL) was incorporated in the year 2014 (conversion from partnership firm – Jain Construction Company) and has established the presence of over three decades in the infrastructure construction. The company is promoted by Mr. Ajay Kumar Jain and Mr. Vijay Kumar Jain, who possess over 3 decades of experience in the industry. The extensive experience of the promoters and the established presence of the company has helped to get tenders.

Revenue and profitability

The operating income of the company stood at same level on Rs. 78.48 crore in FY2022 as against Rs.78.43 crore in FY2021. The operating margin of the company which stood at 9.83 percent in FY2022 as against 9.11 percent in FY2021. PAT margin stood at 2.65% in FY 2022 as against 2.57 percent in FY2021.

Currently, the company has running rate of ~10 crores and has recorded a revenue of Rs.100 crore till December 22 and are expecting to record a revenue of around Rs.~ 135 crore for FY2023. Company has pending order in hand for Rs ~528 crores.

Weaknesses

Moderate Financial Risk Profile

Company has moderate financial risk profile marked by low net worth and moderate debt protection metrics. JIPL's net worth stood at Rs. 22.69 Cr as on 31st March 2022 as against Rs. 20.53 Cr as on 31st March 2021. Improvement in net worth is on account of profit accretion. Gearing levels (debt-to-equity) stood at 1.24 times as on March 31, 2022 as against 1.40 in FY 2021 and Total outside liabilities to total net worth (TOL/TNW) stood at 2.16 times as on FY2022 vis-à-vis 1.83 times as on FY2021. Further, there is minuscule improvement in Debt-EBITDA and stood at 3.50 times as on 31st March 2022 as against 3.77 times as on 31st March 2021. The coverage indicators of the company stood low as apparent from the interest coverage ratio which is 2.20 times for FY2022 as against 2.42 times in FY2021 and Debt service coverage ratio which moderated and stood at 1.08 times in FY2022 as compared to 1.47 times in FY2021.

Intensive Working capital operations

JIPL has Intensive working capital requirements as evident from gross current assets (GCA) of 283 days in FY2022 as compared to 195 days in FY2021. Debtor days have decreased to 67 days in FY2022 as against 77 days in FY2021. Inventory days have increased to 146 days in FY2022 as against 108 days in FY2021. Fund based Working capital limits were utilized at high level of ~95 per cent during the last Six months ended December 2022. Further, the current ratio of JIPL stood at 1.44 times as on March 31, 2022.

Rating Sensitivities

Company's ability to improve Operating income and profitability

Company's ability to improve working capital operations and Liquidity

Material covenants

None

Liquidity Position

Poor

JIPL has poor liquidity marked by net cash accruals to its maturing debt obligations. Company generated cash accruals of Rs. 3.59 crore for FY2022 as against Rs. 3.05 crore of repayment obligations for the same period. Current Ratio stood at 1.44 times as on 31 March 2022 as against 1.46 times in the previous year. The fund based working capital limits are utilized at ~95 per cent during the last Six months ended December 2022 accordingly no additional cushion available to meet the contingencies. Therefore, company has poor liquidity to meets

its requirements.

Outlook: Stable

Acuité believes that JIPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and higher-than-expected improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher than expected working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	78.48	78.43
PAT	Rs. Cr.	2.08	2.02
PAT Margin	(%)	2.65	2.57
Total Debt/Tangible Net Worth	Times	1.24	1.40
PBDIT/Interest	Times	2.20	2.42

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Oct 2022	Bank Guarantee	Short Term	12.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	14.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
22 Jul 2021	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	14.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
25 Apr 2020	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	14.00	ACUITE BB (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4+ Upgraded
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	63.00	ACUITE A4+ Assigned
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	7.25	ACUITE BB Stable Upgraded
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	6.75	ACUITE BB Stable Upgraded
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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