

## Press Release

### J C Infra Corporation Limited

19 January, 2018



### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs. 43.00 Cr.
<b>Long Term Rating</b>	SMERA BB+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has upgraded the long-term rating of JC Infra Corporation Limited to '**SMERA BB+**' (read as **SMERA double B plus**) from '**SMERA BB**' (read as **SMERA double B**) and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 42.54 crore bank facilities. SMERA has also assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs 0.46 crore bank facilities. The outlook is '**Stable**'.

J C Infra Corporation Limited (JCICL) established in 2008, is a Meghalaya-based company promoted by Mr. Subhash Kumar Jhunjhunwala, Mr. Chiman Lal Jhunjhunwala and Mrs. Manisha Jhunjhunwala. The company undertakes civil construction projects for government organisations such as PWD Meghalaya and Assam, National Project Construction Corporation Limited (NPCCCL), Hindustan Steelwork Construction Corporation Limited (HSCCL) among others.

The upgrade is due to the improvement in the financial risk profile and healthy order book position providing revenue visibility in the medium term.

### Key Rating Drivers

#### Strengths

#### Experienced management and long track record of operations

The promoters, Mr. Subhash Kumar Jhunjhunwala, Mr. Chiman Lal Jhunjhunwala and Mrs. Manisha Jhunjhunwala have nearly a decade of experience in the civil construction business. The company's operations are concentrated in North-East India, a difficult terrain marked by hilly morphology. The company has developed specialisation in civil construction in such locations thereby benefiting from repeated business from government bodies.

#### Healthy financial risk profile

The above average financial risk profile is marked by comfortable net-worth, healthy gearing and debt protection metrics. JCICL's net worth levels improved to Rs.32.42 crore in FY2016-17 (Provisional) from Rs.30.81 crore in FY2015-16. The gearing stands healthy at 0.59 times as on FY2017 (Provisional) as compared to 0.68 times in FY2016. The debt of Rs 19.28 crore consists of Rs 17.90 crore of unsecured loans from promoters and related parties and Rs 1.37 crore of working capital facilities. The Interest Coverage Ratio stood comfortable at 3.70 times in FY2017 (Provisional) as against 2.68 times in FY2016. The DSCR improved to a comfortable 3.20 times in FY2017 (Provisional) from 2.18 times in the previous year. Moreover, the NCA/TD stood at 0.23 times in FY2017 (Provisional).

### Healthy work book position

The company is currently executing construction work of around Rs. 302.90 crore (started from Oct'2013) of which Rs 127.44 crore worth of orders have been executed till Nov'17 and Rs 175.46 crore is expected to be executed by FY2019-FY2020.

### Weaknesses

#### Modest scale of operations

The scale of operations is modest with revenue of Rs 43.39 crore in FY2017 (Provisional) as against Rs 38.34 crore in FY2016. The company has booked revenue of Rs 20 crore till September 2017.

#### Working capital intensive operations

The operations are working capital intensive as reflected in the Gross Current Asset days (GCA) of 412 in FY2017 (Provisional) compared to 506 days in FY2016. The high GCA days are due to stretched debtors as the company caters to government organisations such as PWD, Meghalaya and Assam, National Project Construction Corporation Limited (NPCCL), Hindustan Steelwork Construction Corporation Limited (HSCCL) to name a few. The payments are usually stretched. The debtor days stood at 178 days in FY 2017 (Provisional) compared to 257 days in FY2016.

The company has on an average utilised ~ 63 per cent of its working capital limits in the last six months ended September 2017.

#### Risk related to timely completion of contracts

The company is exposed to risks related to timely completion of contracts.

### Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of JCICL.

### Outlook: Stable

SMERA believes that JCICL will maintain a stable outlook over the medium term on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and profitability while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirement.

### About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.39	38.34	50.90
EBITDA	Rs. Cr.	6.06	6.14	6.71
PAT	Rs. Cr.	1.60	1.16	0.67
EBITDA Margin	(%)	13.97	16.01	13.19
PAT Margin	(%)	3.69	3.03	1.31
ROCE	(%)	7.78	8.52	14.30
Total Debt/Tangible Net Worth	Times	0.59	0.68	0.70
PBDIT/Interest	Times	3.70	2.68	3.24

Total Debt/PBDIT	Times	2.86	3.00	2.71
Gross Current Assets (Days)	Days	412	506	412

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infrastructure.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21 Oct, 2016	Cash Credit	Long Term	4.00	SMERA BB/Stable (Reaffirmed)
	Overdraft	Long Term	2.00	SMERA BB/Stable (Withdrawn)
	Bank Guarantee	Short Term	15.20	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	SMERA A4+ (Withdrawn)
	Proposed Cash Credit	Short Term	3.00	SMERA BB/Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	12.80	SMERA A4+ (Reaffirmed)
24 Aug, 2015	Cash Credit	Long Term	4.00	SMERA BB/Stable (Assigned)
	Overdraft	Long Term	2.00	SMERA BB/Stable (Assigned)
	Bank Guarantee	Short Term	25.20	SMERA A4+ (Assigned)
	Proposed Cash Credit	Short Term	1.00	SMERA BB/Stable (Assigned)
	Proposed Bank Guarantee	Short Term	2.80	SMERA A4+ (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.90	SMERA BB+/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.46	SMERA BB+/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.94	SMERA BB+/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.20	SMERA A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4+

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## ABOUT SMERA

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