Press Release

J C Infra Corporation Limited

February 14, 2019

Rating Downgraded

Total Bank Facilities Rated*	Rs. 43.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Negative (Downgraded from ACUITE BB+ /Stable)
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE BB**' **(read as ACUITE double B) from 'ACUITE BB+' (read as ACUITE double B plus)** and reaffirmed the short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 43.00 crore bank facilities of J C Infra Corporation Limited (JCCL). The outlook is **'Negative'**.

The downgrade in the rating is in the view elongated debtors as on 31 March, 2018, and decline in operating income in FY2018 leading to deterioration in financial risk profile. Debtors stood at Rs.25.82 crore as on 31 March, 2018 and operating income stood at Rs. 25.17 crore.

JCCL, incorporated 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 (NPCCL) and Hindustan Steelwork Construction Corporation Limited (HSCCL), among others.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of the co mpany to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**
  The promoters 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 order book position**
  The company is currently executing construction work of around Rs.314.00 crore of which Rs.157.00 crore worth of orders have been executed till December, 2018 and Rs.162.00 crore is expected to be executed during FY2019-FY2020.

- **Moderate financial risk profile**
  JCCL's financial risk profile is marked by its moderate net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.33.41 crore as on 31 March, 2018 as against Rs.32.22 crore in the previous year on account of increasing profitability leading to accretion to reserves. The company's gearing is estimated to be low at 0.74 times as on 31 March, 2018 as against 0.58 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.74 times as on March 31, 2018. The total debt of Rs.24.57 crore consists of long term debt of Rs.1.03 crore, Rs. 17.47 crore of unsecured loans from related parties and Rs.6.07 crore of short term debt obligations. The moderate profitability levels has resulted in adequate net cash accruals of Rs.2.63 crore during 2016-18, while the debt levels have remained low at around Rs.24.57 crore during the same period, leading to healthy debt protection measures. The interest coverage ratio stood at 2.39 times in FY18 as against 3.30 times in the previous

year. NCA/TD ratio stood at 0.11 times in FY18. Acuité believe that the financial risk profile will continue to remain moderate on account of moderate cash accruals and minimal reliance on debt.

- **Reputed clientele base**

JCCL caters to reputed clientele such as PWD of Meghalaya and Assam, National Buildings Construction Corporation Ltd. (NBCC), Hindustan Steelwork Construction Corporation Limited (HSCCL) and North frontier Railway to name a few. Hence, the entire revenue is generated from State Government and Central Government, thus providing low counter party risk. The company however is exposed to delay in realisation of receivables. The company is exposed to risks related to timely completion of contracts.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive as reflected in the Gross Current Asset (GCA) of 500 days in FY2018 compared to 266 days in FY2017. The high GCA days are due to stretched debtors as the company caters to government organisations from which the payments are usually stretched. The debtor days stood at 367 days in FY 2018 compared to 218 days in FY2017. The company has on an average utilised ~ 87 per cent of its working capital limits in the last six months ended September 2017.

- **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with labour cost constituting around ~65 percent of the total revenue. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 20.41 percent in FY2018 as against 12.99 percent in the previous year.

Outlook: Negative

Acuité believes that the outlook on JCICL's rated facilities will remain negative over the medium term on account of elongated debtors as on 31st March 2018 and significant decline in operating income in FY2018. The rating may be downgraded in case the company exhibits further decline in operating income and elongated working capital cycle causing further deterioration of financial risk profile. Conversely, the outlook may be revised to 'Stable' in case of significant and sustainable improvement in revenues and accruals resulting in improved Debt protectionindicators.

Liquidity position

JCICL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.50 to Rs. 4.50 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.0.20 to Rs. 0.50 crore over the same period. The cash accruals of the company are estimated to remain at around Rs.4.00 - Rs.5.50 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 500 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.2.00 crore as on March 31, 2018. The current ratio of the company stood moderate at 2.67 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of Rs.0.30 to Rs. 0.40 crore.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.17	41.40	38.34
EBITDA	Rs. Cr.	5.14	5.38	6.14
PAT	Rs. Cr.	1.19	1.41	1.16
EBITDA Margin	(%)	20.41	12.99	16.01
PAT Margin	(%)	4.71	3.41	3.03
ROCE	(%)	7.99	8.37	8.57
Total Debt/Tangible Net Worth	Times	0.74	0.58	0.66
PBDIT/Interest	Times	2.39	3.30	2.68
Total Debt/PBDIT	Times	4.30	3.08	2.90

Gross Current Assets (Days)	Days	500	266	332

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Jan-2018	Cash Credit	Long Term	8.90	ACUITE BB+ / Stable (Upgraded)
	Term Loan	Long Term	0.46	ACUITE BB+ / Stable (Upgraded)
	Proposed Cash Credit	Short Term	5.94	ACUITE BB+ / Stable (Upgraded)
	Bank Guarantee	Short Term	20.20	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	7.50	ACUITE A4+ (Reaffirmed)
21-Oct-2016	Cash Credit	Long Term	4.00	ACUITE BB / Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BB / Stable (Withdrawn)
	Bank Guarantee	Short Term	15.20	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Withdrawn)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB / Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	12.80	ACUITE A4+ (Reaffirmed)
24-Aug-2015	Cash Credit	Long Term	4.00	ACUITE BB / Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	25.20	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	22.70	ACUITE A4+ (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/ Negative (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.80	ACUITE BB/ Negative (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/ Negative (Downgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/ Negative (Downgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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