

Press Release

Jkg Infratech Private Limited

April 22, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 13.00 crore bank facilities of Jkg Infratech Private Limited. The outlook is '**Stable**'.

JKG Infratech Private Limited (JKG Infratech), incorporated in 2006 is a Delhi-based company promoted by Mr. Ravi Shankar Goel and Dr. Madhusudan Goel. The company is engaged in the construction of roads, highways and buildings for governments authorities including the Airport Authority of India. The rating reaffirmation takes into account the moderate scale of operations, moderate financial risk profile and the competitive and fragmented Engineering, Procurement and Construction (EPC) industry. However, the rating is supported by the experienced promoters and healthy order book.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The company benefits from the extensive experience of its promoter, Mr. Ravi Shankar Goel who possesses experience of over two decades in the EPC industry.

- Moderate financial risk profile:**

The moderate financial risk profile of the company is marked by moderate interest coverage at 1.58 times in FY2016. The debt protection matrices remain moderate with DSCR of 1.57 times in FY2015-16. The profitability margin is moderate with operating margin of 7.68 percent and net profitability margin of 0.52 per cent in FY2015-16 as compared to 7.87 per cent and 0.81 per cent respectively in FY2014-15. SMERA also notes that the gearing stood at a high of 2.62 times in FY2016 as compared to 1.63 times in the previous year.

Weaknesses

- Tender-based business**

The nature of business is tender based. The company deals with government organisations and bids for orders. However, the promoter's extensive experience and long term relationship helps partially mitigate this risk.

- Dependence on government orders**

The company is highly dependent on government orders and executes construction work only for the government.

- Competition from small and established players in the industry**

JKG Infratech operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that JKG Infratech will maintain a stable outlook owing to its promoter's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and large debt funded capex.

About the Rated Entity - Key Financials

JKG Infratech, incorporated in 2006 is a Delhi-based company promoted by Mr. Ravi Shankar Goel and Dr. Madhusudan Goel. The company is engaged in the construction of roads, highways and buildings for governments authorities including the Airport Authority of India. For FY2015-16, the company reported (profit after tax) PAT of Rs.0.15 cr on operating income of Rs.29.09 cr as compared with PAT of Rs.0.22 cr on operating income of Rs.26.55 cr in FY2014-15. The net worth stood at Rs.4.88 cr as on March 31, 2016 against Rs.4.73 cr a year earlier.

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-infra.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. Cr.)	Ratings/Outlook
09-Nov-2015	Cash Credit	Long Term	INR 8	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 5	SMERA A4+

***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	8.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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