

Press Release

JKG Infratech Private limited

August 08, 2019



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 18.00 Cr. (Enhanced from Rs.13.00 crore)
Long Term Rating	ACUITE BB/ Stable (Upgraded from BB-)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Acuité has upgraded the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the facilities of Rs.18.00 crore of JKG Infratech Private limited (JKGL). The outlook is 'Stable'.

The upgrade is on account of significant improvement in scale of operations, healthy order book position, improvement in liquidity visible from low reliance on external borrowings and overall improvement in the financial risk profile of the company. The revenues have improved to Rs.36.92 crore in FY2019 (Provisional) as against Rs.22.85 crore in FY2018. The company have generated a revenue of ~Rs.10.50 crore in the Q1FY2020 and has orders of Rs. 30.70 crore, which is expected to be executed till November 2019.

Incorporated in 2009, JKGL 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 government authorities including the Airport Authority of India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of JKGL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operation and experience management:**

The promoters of JKGL have long experience in the road and airport runway construction business. The company is promoted by Mr. Ravi Goel, who has an industry experience of over two decades. He was involved in a partnership firm prior to acquiring JKGL. Mr. J. K. Goel, father of Mr. Ravi Goel, is a civil engineer and has four decades of experience in the construction industry. Presently, the company is promoted by Mr. Ravi Goel and his brother Mr. Madhu Sudan Goel. Acuité believes the company will benefit from the vast experience of the promoters, which is visible from its healthy order book position.

- Long association with government agencies:**

JKGIP has executed projects for Airport Authority of India (AAI), Rajasthan Government, PWD (Public Works Department), NHAI (National Highway Authority of India), among others. The company has been able to establish long-standing relationship with its client owing to extensive experience of the promoters and timely execution of the project.

- Healthy order book position and significant growth in operating income:**

The company has healthy business prospects for near future. JKGL has confirmed Rs. 30.70 crore worth of orders in hand, which is expected to be executed till November 2019. Further, the company have bid for order amounted to ~Rs. 43.00 crore. The revenues of the company have grown by ~61 per cent in FY2019 (Prov.) over FY2018. The revenues stood at Rs.36.92 crore in FY2019 (Provisional) as against Rs.22.85 crore in FY2018. Further, the company has achieved revenues of ~Rs.10.50 crore for Q1FY2020. Acuité believes that the revenues will improve in near to medium term backed by its healthy order book position.

- **Improvement in Working Capital**

JKGL has efficient working capital operations marked by moderate Gross Current Assets (GCA) of 197 days in FY2019 (Provisional) as against 247 days in FY2018. The inventory and debtor levels stood at 65 and 64 days in FY2019 (Provisional) as against 106 and 91 days in FY2018, respectively. As a result, the average utilization of bank limits stood at ~82 per cent in the last nine months ending June, 2019. Acuité believes that the working capital requirements will continue to remain comfortable over the medium term on account of timely payment from the customers and to the suppliers.

Weaknesses

- **Competitive and fragmented industry:**

The company is engaged as civil contractor of road and airport runway construction. The particular sector is marked by the presence of several mid to big size players. The company faces competition from 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 some extent as the management has been operating in this industry for over two decades.

- **Tender based nature of business:**

The company deals with government organizations and quotes for the contracts on tender basis. Going forward, the company's ability to successfully bid for greater number of large orders remains to be seen. However, the promoters experience and relationship mitigates this factor to an extent.

Liquidity position

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. JKGL generated cash accruals of Rs.1.52 crore in FY2019 (Provisional) as against debt maturity obligations of Rs.0.07 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.30 crore to Rs.2.95 crore during FY2020-22 against as the debt maturity obligations of Rs. 0.10 crore for the period FY2020 and FY2021. The company's working capital operations are moderate marked by gross current asset (GCA) days of 197 days in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on 31 March, 2019 (Provisional). The current ratio stands at 1.91 times as on 31 March, 2019(Provisional).

Outlook: Stable

Acuité believes that JKGL 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 company registers higher-than-expected growth in revenues and net cash accruals, while maintaining healthy debt protection metrics and timely completion of all the projects. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19(Provisional)	FY18	FY17
Operating Income	Rs. Cr.	36.92	22.85	43.58
EBITDA	Rs. Cr.	3.32	2.97	3.11
PAT	Rs. Cr.	0.80	0.91	0.64
EBITDA Margin	(%)	8.99	13.01	7.14
PAT Margin	(%)	2.17	3.98	1.48
ROCE	(%)	13.24	13.26	13.13
Total Debt/Tangible Net Worth	Times	0.57	0.62	1.12
PBDIT/Interest	Times	2.21	2.63	1.97
Total Debt/PBDIT	Times	2.28	2.34	2.80
Gross Current Assets (Days)	Days	197	247	152

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-17.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
02-August-2019	Cash credit	Long term	8.00	ACUITE BB- Issuer not co-operating*
	Bank guarantee	Short term	5.00	ACUITE A4+ Issuer not co-operating*
04-May-2018	Cash credit	Long term	8.00	ACUITE BB- Issuer not co-operating*
	Bank guarantee	Short term	5.00	ACUITE A4+ Issuer not co-operating*
22-April-2017	Cash credit	Long term	8.00	ACUITE BB-/Stable (Reaffirmed)
	Bank guarantee	Short term	5.00	ACUITE A4+ (Reaffirmed)
19-Nov-2015	Cash credit	Long term	8.00	ACUITE BB-/Stable (Assigned)
	Bank guarantee	Short term	5.00	ACUITE 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	8.00	ACUITE BB/ Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	10.00 (Enhanced from Rs.5.00 crore)	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731314 aditya.singh@acuite.in	

About Acuité Ratings & Research:

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