

Press Release

JKG Infratech Private Limited

January 11, 2021



Rating upgraded and reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Reason for rating revision

The rating upgrade factors in the improvement in sales and profitability, above average financial risk profile, strong gearing and strong liquidity position. The Company have shown sustainable growth in the revenue in the past years. The company have achieved a revenue of Rs.33.44 Crore in FY2020 (Provisional) as against Rs.30.79 Crore in FY2019. In this year, the company have recorded revenue of ~Rs.25 Crore as of 30th November 2020 and the company is expecting to achieve a revenue of Rs.40.00-45.00 Crore by the end of the financial year. The reason for the increase in the revenue is timely execution of all the orders. The EBITDA Margins is stable and stood at 10.30 percent for FY2020 (Provisional) as against 10.98 percent in FY2019. The PAT margin also improved slightly to 3.67 percent in FY2020 (Provisional) from 3.03 on in FY2019. The gearing level (debt-equity) stood at 0.59 times as on 31 March 2020 (Provisional) as against 0.68 times as on 31 March 2019. The company generated cash accruals of Rs.1.96 Crore in FY2020 (Provisional) as against no CPLTD for the same period as there are no long term borrowings. The company's working capital operations are moderately intensive as the gross current asset (GCA) days reduced to 164 days in FY2020 (Provisional) as against 233 days in FY2019. As a result, the average utilization of bank limits stood low at ~44 per cent in the last six months ending September 2020.

About the Company

Incorporated in 2009, JKGL is a Delhi-based company promoted by Mr. Ravi Shankar Goel and Mr. 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 profile of JKGIP to arrive at the rating.

Key Rating Drivers

Strengths

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

The promoters of JKG Infratech Private Limited (JKGIP) have long experience in the road and runway construction business. The company is promoted by Mr. Ravi Goel, who started this business in partnership concern in 1990. In 2009, he parted ways from partnership concern and bought already existing company JKG and started fresh business in this company. 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 Mr. Madhu Sudan Goel (brother).

Acuité believes that JKGIP will sustain its existing business profile on the back of experienced management.

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

The company has healthy business prospects for near future. JKG has confirmed Rs 60.87 crore worth of orders in hand which needs to be executed by year 2021. Currently, order amounted to Rs. 239.00 crore are under the process of tendering.

Due to timely execution of all the order, the company was able to achieve a revenue of Rs.33.44 Crore in FY2020 (Provisional) as against Rs.30.79 Crore in FY2019. In this year, the company have recorded revenue of ~Rs.25 Crore as of 30th November 2020 and the company is expecting to achieve a revenue of Rs.40.00 Crore by the end of the financial year.

- **Above average Financial risk profile**

Company's financial risk profile remained above average marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.14.34 Crore as on 31 March 2020 (Provisional) as against Rs.13.11 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years on account of healthy accretion to reserves during the same period. The net worth also includes unsecured loan from directors and related parties amounted to Rs.3.80 Crore as that amount will sustain in the business for the longer run. The gearing level (debt-equity) stood at 0.59 times as on 31 March 2020 (Provisional) as against 0.68 times as on 31 March 2019. The total debt of Rs.8.52 Crore as on 31 March 2020 (Provisional) consists of unsecured loan of Rs.2.91 Crore and working capital borrowings of Rs.5.61 Crore. The interest coverage ratio (ICR) stood at 3.14 times in FY2020 (Provisional) as against 2.56 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio increased to 0.23 times in FY2020 (Provisional) as against 0.20 times in FY2019.

Acuité believes that JKG IPL will continue to exhibit an above average financial risk profile on the back of its established position in the industry and absence of any major debt funded capex plan in the near to medium term.

Weaknesses

- **Competitive and fragmented industry:**

The Company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management is operating in this environment for last three decades.

- **Tender based nature of business:**

The firm 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 promoter's experience and relationship mitigate this factor to an extent.

Rating sensitivity

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.96 Crore in FY2020 (Provisional) as against no CPLTD for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.62 Crore to Rs.3.50 Crore during FY2021-23 against no CPLTD for the same period. The company's working capital operations are moderately intensive marked by Gross Current Asset (GCA) days of 164 days in FY2020 (Provisional). As a result, the average utilization of bank limits stood low at ~44 per cent in the last six months ending November 2020. Company maintains unencumbered cash and bank balances of Rs.0.10 Crore as on 31 March 2020 (Provisional). The current ratio stands at 1.80 times as on 31 March 2020 (Provisional).

Outlook: Stable

Acuité believes JKG IPL 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	33.44	30.79
PAT	Rs. Cr.	1.23	0.93
PAT Margin	(%)	3.67	3.03
Total Debt/Tangible Net Worth	Times	0.59	0.68
PBDIT/Interest	Times	3.14	2.56

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-October-2020	Cash Credit	Long Term	8.00	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Indicative)
08-August-2019	Cash Credit	Long Term	8.00	ACUITE BB/Stable (Upgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
02-August-2019	Cash Credit	Long Term	8.00	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Indicative)
04-May-2018	Cash Credit	Long Term	8.00	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Indicative)

*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	ACUITE BB+/Stable (Upgraded)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)
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About Acuité Ratings & Research:

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