

Press Release
JKG INFRA TECH PRIVATE LIMITED
July 04, 2023
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	8.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	18.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BB+' (read as ACUITE double B plus) 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 (JKGIPL). The outlook is 'Stable'.

Rating Rationale

The rating takes into account the extensive experience of the management of the company in the road and runway construction businesses. The rating also factors in the improvement of revenue from operations of the company from Rs.28.99 crore in FY21 to Rs.37.76 crore in FY22 and Rs.67.03 crore in FY23 (Provisional). The company is currently dealing with reputed clienteles like Airport Authorities of India, State and National PWD (Public work Department) from whom the company is having Orders- in-hand worth Rs.121 Crore out of which Rs. 114 crore are proposed to be executed in this financial year i.e., FY 24, providing stable revenue visibility over near to medium term. However, the rating of the company is constrained by moderation in the operating margins on year on year basis. Also, the company is operating in a highly competitive environment with tender based operation resulting into pressure on profitability.

About the Company

Incorporated in 2009, JKG Infratech Private Limited 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

Acuite has considered the standalone business and financial risk profile of JKGIPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operation and experience management with reputed clientele

The promoters of JKG Infratech Private Limited (JKGIPL) have long experience in the road and runway construction business. The company is promoted by Mr. Ravi Goel, who started this business as 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 JKG IPL will sustain its existing business profile on the back of experienced management. Furthermore, the company is dealing with reputed clientele like Airport Authorities of India, State and National PWD (Public work Department).

Acuite believes that the company will continue to benefit from the well experienced management and reputed clientele over the medium term.

Improvement in operating income

The Operating Income of the company has improved year on year i.e., from Rs. 28.99 crores in FY21 to Rs.36.76 crores in FY22 and Rs. 67.03 crores in FY23 (Provisional). The revenue of the company has improved on the back of better execution of order in hand and a better order book position. The company has been receiving orders from reputed clients like Airport Authority of India. The company is currently having Orders-in-hand worth Rs. 121 Crores out of which around ~Rs.115 crores is expected to be executed in the current financial year providing adequate revenue visibility over the near term.

Acuite believes that the company's ability to execute the projects on time and to improve the operating income going ahead will remain a key rating sensitivity.

Weaknesses

Decline in Margins

The operating income of the company and the EBITDA in absolute terms is growing year on year however the operating margins of the company is deteriorating continuously i.e., from 12.07% in FY 2021 to 9.51% in FY 2022 and further to 7.32 % in FY 2023. The margin of the company has seen a dip on account of competitive bidding which resulted into margins getting squeezed.

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 Sensitivities

- Elongation in working capital cycle.
- Fluctuation in revenue profile.
- Deterioration in Profitability Margins

Liquidity Position

Adequate

The company has adequate liquidity as can be inferred from NCA which is expected to remain between Rs. 3.72 crores in FY 24 & Rs. 4.58 Crores in FY 25 as against the CPLDT of Rs. 1.91 crores and Rs. 3.51 crores respectively. The company maintains unencumbered cash and bank balance of Rs. 0.25 crores as of March 2023 and the current ratio is maintained at 2.54 times. The company has sanctioned additional CC Limit of 1.50 crores in April 2023. Average bank limit utilization between October 2022 and March 2023 stood at 86.68%.

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, Improved operating margins and timely completion of all the projects. Conversely, the outlook may be revised to 'Negative' in case the company registers lowerthan-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.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	67.03	36.76
PAT	Rs. Cr.	1.52	0.70
PAT Margin	(%)	2.26	1.91
Total Debt/Tangible Net Worth	Times	0.65	0.61
PBDIT/Interest	Times	2.80	2.16

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Apr 2022	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
11 Jan 2021	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
19 Oct 2020	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Satyam . Analyst-Rating Operations Tel: 022-49294065 satyam.saxena@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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