

Press Release

April 24, 2017

Jaswantsingh Oberoi Construction Private Limited (JOCPL)

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.20.25 Cr. (Enhanced from Rs. 18 Cr)
Long Term Rating	SMERA BBB-/Stable (Reaffirmed and Withdrawn)
Short Term Rating	SMERA A3 (Reaffirmed and Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.19.25 cr. bank facilities and assigned a short term rating of '**SMERA A3**' to the Rs. 1.00 cr bank facility of Jaswant Singh Oberoi Construction Private Limited (JOCPL). The outlook is '**Stable**'.

Further, SMERA has also withdrawn the rating of SMERA BBB- (read as SMERA triple B minus) with immediate effect on the Rs 1.53 crore term loan on account of full payment of dues against the rated facilities as certified by the banker.

Established in 1975 as a proprietorship firm under the name 'Oberoi Constructions', JOCPL, a Maharashtra-based civil construction firm was converted into a private limited company in 1998. Promoted by Mr. Jaswant Singh Oberoi, Mr. Jagitsingh Oberoi and Mrs. Harpreetkaur Oberoi, the company is a registered Class-I contractor. JOCPL constructs roads and bridges for government authorities such as Maharashtra Public Works Department (PWD), National Highway Authority of India (NHAI) and Maharashtra State Road Development Corporation (MSRDC). The company is able to maintain its top line and win tenders with an average success ratio of ~65 per cent to 70 per cent.

List of key rating drivers and their detailed description:

Strengths

Long track record of operations and experience management

JOCPL, established in 1975 has over four decades of experience in the construction sector and has developed long term relations with customers and suppliers. Currently, the operations are led by the third generation. The day-to-day operations are managed by Mr. Jaswant Singh Oberoi.

Class - I contractor for Maharashtra PWD, NHAI and MSRDC

The company is a Class-I contractor for Maharashtra Public Works Department (PWD), National Highway Authority of India (NHAI) and Maharashtra State Road Development Corporation (MSRDC) and is entitled to bid for orders of any size.

Healthy financial risk profile

JOCPL has a healthy financial risk profile. The company has comfortable gearing of 0.40 times in FY2016 as against 0.42 times in FY2015. The total debt mainly consists of working capital borrowings and term loans from banks and financial institutions. JOCPL has healthy coverage indicators with interest coverage ratio (ICR) of 5.26 times in FY2016 as against 4.28 times in FY2015. The Debt-service coverage ratio (DSCR) stood at 4.62 times in FY2016 over 3.76 times in FY2015.

Efficient working capital management and comfortable liquidity

JOCPL has efficient working capital management marked by gross current asset of 69 days in FY2016 which decreased from 132 days in FY2015 on account of fall in inventory days from 26 in FY2015 to 3 in FY2016. The debtor's days fell from 63 days to 13 days in FY2016 on account of quick payment from customers. The company has unencumbered cash and bank balance of Rs. 4.83 cr as on 31 March, 2016. The bank limit utilisation has been around 85 per cent.

Revenue visibility and technology edge

The company has order book of Rs. 130.47 cr from PWD (four projects in Wardha and Yavatmal) for FY2018 and FY2019, out of which ~ Rs. 75 cr worth of sales is to be realised in FY2018.

Weakness

Moderate scale of operations amidst tender based nature of business

The operations are moderate despite the company being in the construction business for the last four decades. Further, the performance is also susceptible to the tender based nature of business. The company is exposed to intense competition from other contractors.

Decline in margins

JOCPL's revenues grew at a CAGR of 32 per cent during FY2013-2014 to FY2015-16. However, the operating margins declined to 9.00 percent in FY2016 from 11.54 percent in FY2015. The profit margins fell to 3.29 percent in FY2016 from 4.45 percent in FY2015.

Analytical Approach

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

Outlook: Stable

SMERA believes that JOCPL will maintain a stable outlook over the medium term on the back of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while attaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, JOCPL reported profit after tax (PAT) OF Rs1.86 cr on operating income of Rs.56.67 cr as compared to PAT of Rs.2.41 cr on operating income of Rs. 54.15 cr for FY2014-15. The networth stood at Rs. 25.29 cr in FY2016 as against Rs. 23.43 cr in FY2015.

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)

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	9.00 (Enhanced from 7 Cr.)	SMERA BBB-/Stable (Reaffirmed)	18 Jan, 2016	SMERA BBB-/Stable (Assigned)	-	-	-	-
Term Loan	LT	1.53	SMERA BBB-/Stable (Withdrawn)	18 Jan, 2016	SMERA BBB-/Stable (Assigned)	-	-	-	-
Standby Line of Credit	ST	1.25	SMERA A3 (Reaffirmed)	18 Jan, 2016	SMERA A3 (Assigned)	-	-	-	-
Bank Guarantee	ST	6.00 (Enhanced from 5 Cr.)	SMERA A3 (Reaffirmed)	18 Jan, 2016	SMERA A3 (Assigned)	-	-	-	-
Proposed Cash credit	LT	3.00	SMERA BBB-/Stable (Reaffirmed)	18 Jan, 2016	SMERA BBB-/Stable (Assigned)	-	-	-	-
Proposed Bank Guarantee	ST	1.00	SMERA A3 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings
Cash Credit	NA	NA	NA	9.00 (Enhanced from 7 Cr.)	SMERA BBB-/Stable (Reaffirmed)
Term Loan	NA	NA	NA	1.53	SMERA BBB-/Stable (Withdrawn)
Standby Line of Credit	NA	NA	NA	1.25	SMERA A3(Reaffirmed)
Bank Guarantee	NA	NA	NA	6.00 (Enhanced from 5 Cr.)	SMERA A3(Reaffirmed)
Proposed Cash credit	NA	NA	NA	3.00	SMERA BBB-/Stable (Reaffirmed)
Proposed Bank Guarantee	NA	NA	NA	1.00	SMERA A3 (Assigned)

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ABOUT SMERA

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