

Press Release

Jaswantsingh Oberoi Construction Private Limited (JOCPL)

02 April, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 25.25 Cr.
Long Term Rating	SMERA BB+ /Stable (Downgraded from SMERA BBB-/Stable)
Short Term Rating	SMERA A4+ (Downgraded from SMERA A3)

**Refer annexure for details*

SMERA has downgraded the long term rating to '**SMERA BB+** (read as SMERA double B plus) from '**SMERA BBB-** (read as SMERA triple B minus) and short term rating to '**SMERA A4+** (read as SMERA A four plus) from '**SMERA A3**' (read as SMERA A three) on the enhanced amount of Rs. 25.25 crore bank facilities of Jaswantsingh Oberoi Constructions Private Limited (JOCPL). The outlook is '**Stable**'.

The downgrade is in view of significant deterioration in business risk profile which is expected to continue over near to medium term. SMERA believes that this will impact the existing business profile of the company.

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. Jagjitsingh 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.

Key rating drivers

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.

Moderate financial risk profile

JOCPL has moderate financial risk profile. The company has a moderate gearing of 0.54 times as on 31 March 2017 as against 0.40 times as on 31 March 2016. Total debt mainly consists of working capital borrowings from banks and financial institutions. JOCPL has moderate coverage indicators with interest coverage ratio (ICR) of 2.22 times and Debt-service coverage ratio (DSCR) of 2.22 times in FY2017. Financial risk profile of the company expected to remain moderate in spite of additional working capital borrowings which have negligible impact on debt serviceability of the company. The company has booked revenue of Rs. 44.41 crore till February 2018.

Weaknesses**Moderate Scale of Operations amidst tender based nature of business**

The operations of the JOCPL are considered to be at moderate level despite the company is in the construction business from last four decades. The company has achieved operating income of Rs. 26.94 core in FY2017 as compared to Rs. 56.67 crore in FY2016. The operations of the JOCPL are considered to be at moderate level despite the company is in the construction business from last 04 decades. The company is exposed to intense competition from other contractors.

Working Capital Intensive Operations

Working capital intensive business JOCPL's operations are working capital intensive reflected in the high GCA days of 180 in FY2017 as compared to 69 days in FY2016. The GCA days are mainly dominated by high inventory of 77days in FY2017 as compared to 2 days in FY2016 SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of JOCPL to arrive at the rating.

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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.94	56.67	54.15
EBITDA	Rs. Cr.	3.99	5.10	6.25
PAT	Rs. Cr.	0.86	1.86	2.41
EBITDA Margin	(%)	14.82	9.00	11.54
PAT Margin	(%)	3.20	3.29	4.45
ROCE	(%)	7.30	11.36	14.73
Total Debt/Tangible Net Worth	Times	0.54	0.40	0.42
PBDIT/Interest	Times	3.30	5.26	4.28
Total Debt/PBDIT	Times	2.93	1.78	1.45
Gross Current Assets (Days)	Days	180	69	132

Any other information:

Not Applicable

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>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Apr-2017	Cash Credit	Long Term	9.00	SMERA BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.53	SMERA BBB- / Stable (Withdrawn)
	Standby Line of Credit	Short Term	1.25	SMERA A3 (Reaffirmed)

	Bank Guarantee	Short Term	6.00	SMERA A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	3.00	SMERA BBB- / Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.00	SMERA A3 (Assigned)
18-Jan-2016	Cash Credit	Long Term	7.00	SMERA BBB- / Stable (Assigned)
	Term Loan	Long Term	1.53	SMERA BBB- / Stable (Assigned)
	Standby Line of Credit	Short Term	1.25	SMERA A3 (Assigned)
	Bank Guarantee	Short Term	5.00	SMERA A3 (Assigned)
	Proposed Working Capital Demand Loan	Long Term	3.22	SMERA BBB- / Stable (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	12.00	SMERA BB+ / Stable (Downgraded)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA A4+ (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+ (Downgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB+ / Stable (Downgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+ (Downgraded)

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ABOUT SMERA

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