

Press Release

J.K. Infra-Utilities Private Limited

October 31, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) from **ACUITE A3** on the Rs. 20.00 crore bank facilities of J.K. Infra-Utilities Private Limited (JKIUP). The outlook is '**Stable**'.

JKIUP, incorporated in 2008, is under the directorship of Mr. GV Jadhav and Mr. Nitin Sanap. The company is engaged in designing, installation and commissioning of public health engineering (plumbing and sanitation) and fire security management.

Analytical Approach

Acuite has considered standalone financials and business risk profile of JKIUP to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced promoters

The company was incorporated in 2008 as a private limited company engaged in providing contractual services for plumbing, sanitation and fire security management. The promoters possess experience of over two decades in civil construction industry. Acuite believes that with the promoters' extensive industry experience and timely execution of projects, the company has been able to establish long-standing relationships with various government as well as private clients.

• Healthy order book position

JKIUP registered an operating income of Rs.57.09 crore in FY2018 (Provisional) as against Rs.51.84 crore in FY2017. Moreover, the company has an unexecuted order book position of ~Rs.140.00 crore as on 30 September 2018 giving the revenue visibility over the medium term.

• Above average financial risk profile while improving profitability margin

The financial risk profile of the company is above average marked by net worth, gearing and coverage indicators. The net worth stood at Rs.15.00 crore as on 31 March, 2018 (Provisional) as against Rs.11.58 crore as on 31 March, 2017. Gearing (debt-equity) stood at 0.02 times as on 31 March, 2018 (Provisional) as against 0.08 times as on 31 March, 2017. The gearing is low due to low fund based facility. The company majorly utilises non fund based limits. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.11 times as on 31 March, 2018 (Provisional) as against 2.10 times in the previous year. The operating margins of the company have improved during the period under study. The operating margins stood at 8.21 percent in FY2018 (Provisional) as against 7.48 percent in FY2017 and 6.77 percent in FY2016. The profit after tax margin stood healthy at 5.98 percent in FY2018 as against 5.06 percent in FY2017. Acuite believes that the financial risk profile of the company will remain above average marked by moderate net cash accruals and backed by healthy profitability margins.

Weaknesses

• Deterioration in working capital operation

The working capital management of the company has deteriorated in FY2018 over FY2017. The Gross Current Asset (GCA) days stood at 210 for FY2018 (Provisional) as against 172 in the previous year. The increase in GCA is majorly on account of higher debtor days which stood at 142 for FY2018 (Provisional) as against 74 for FY2017. Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Competitive and fragmented industry

The company is engaged as EPC contractor for drinking water supply schemes. 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 become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

Outlook: Stable

Acuite believes that JKIUPL will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues and net cash accruals while improving the working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	57.09	51.84	42.05
EBITDA	Rs. Cr.	4.69	3.88	2.85
PAT	Rs. Cr.	3.41	2.62	2.06
EBITDA Margin	(%)	8.21	7.48	6.77
PAT Margin	(%)	5.98	5.06	4.90
ROCE	(%)	35.31	35.75	59.10
Total Debt/Tangible Net Worth	Times	0.02	0.08	0.21
PBDIT/Interest	Times	27.69	18.12	25.90
Total Debt/PBDIT	Times	0.05	0.21	0.57
Gross Current Assets (Days)	Days	210	172	199

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
15-Nov-2017	Secured Overdraft	Long Term	0.50	ACUITE BBB- (Indicative)
	Proposed Secured Overdraft	Long Term	1.50	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Indicative)
	Proposed Bank Guarantee	Short Term	12.00	ACUITE A3 (Indicative)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A3 (Indicative)
13-Jul-2016	Secured Overdraft	Long Term	0.50	ACUITE BBB- / Stable (Assigned)
	Proposed Secured Overdraft	Long Term	1.50	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	12.00	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	5.00	ACUITE 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/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB- / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.25	ACUITE A3 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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