

Press Release

Jay Dheep Techno Enterprisess Private Limited

August 07, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 22.00 crore bank facilities of Jay Dheep Techno Enterprisess Private Limited. The outlook is '**Stable**'.

Jay Dheep Techno Enterprises Private Limited (JDTEPL), incorporated in July 1999 is a Chennai based ISO 9001:2008 company. The company is engaged in the execution of turnkey projects related to fire protection systems and industrial piping system for various industries. The company also provides services related to heating, ventilating, air conditioning, plumbing, water treatment among others. M/s Jay Dheep Engineers, a group firm undertakes turnkey mechanical work (from design to commissioning) along with annual maintenance for JDTEPL. The day-to-day operations are led by Mr. V.N. Anantha Padmanabhan and Mr. K.S. Prakasam who possess more than four decades of experience in the line of business.

Key Rating Drivers**Strengths****• Experienced and qualified management**

JDTEPL incorporated in 1999 is a Chennai-based company promoted by Mr. V.N. Anantha Padmanabhan and Mr. K.S. Prakasam. The directors possess four decades of experience in the execution of the aforementioned turn key projects.

• Healthy financial riskprofile

The financial risk profile is marked by healthy net worth of Rs.16.48 crore as on 31 March, 2017 (Provisional) compared to Rs.14.98 crore as on 31 March, 2016. The gearing stood at a comfortable 0.42 times as on 31 March, 2017 (Provisional) compared to 0.44 times as on 31 March, 2016. The debt protection metrics are comfortable. The Interest coverage ratio (ICR) stood at 3.11 times in FY2016-17 (Provisional) as against 2.49 times in FY2015-16. The DSCR improved to 2.31 times in FY2016-17 from 1.84 times in FY2015-16. The NCA/TD (Net cash accruals to Tangible net worth) stood at 0.27 times in FY2016-17 (Provisional).

• An ISO Certified company

JDTEPL is an ISO 9001:2008 certified company that designs fire fighting systems.

• Reputed clientele

JDTEPL executes job orders for reputed clients (both private and public sector) including SMCC Construction India Ltd, Daimler India Commercial Vehicles, MRF Limited Caterpillar India Pvt Ltd, Ford India Pvt Ltd among others.

Weaknesses

• Moderate scale of operations

The scale of operations is moderate. The operating income improved to Rs.39.75 crore in FY2016-17 (Provisional) from Rs.35.83 crore in FY2015-16 on account of healthy orders. Further, the company achieved operating income of Rs.8.33 crore from April 2017 - June 2017. The company has an order book value of Rs.19.25 crore as on July 2017 which provides moderate revenue visibility over the medium term.

• Margins are susceptible to volatility in raw material prices

The operating margins are susceptible to volatility in raw material prices (pipes pumps fittings). The operating margins declined to 9.44 percent in FY2016-17 (Provisional) from 9.82 percent in FY2015-16 and 12.01 percent in FY2014-15. However, the PAT margins improved to 4.98 percent in FY2016-17 (Provisional) from 4.08 percent in FY2015-16 on account of lower interest expenses during the financial year.

• Working capital intensive operations

JDTEPL's operations are working capital intensive marked by high GCA of 233 days as on 31 March, 2017 (PY: 216 days) due to high receivables of 133 days in FY2016-17 (PY: 79 days). Retention money from the customer stood at Rs.5.64 crore as on 31 March, 2017 (Provisional) as against Rs.7.41 crore as on 31 March, 2016. However, the average utilisation of working capital limits stands comfortable at 56.72 percent for the last six months ended June 2017. The current ratio stands comfortable at 1.82 times and the company generated net cash accruals of Rs.1.73 crore for FY2016-17.

Analytical Approach

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

Outlook: Stable

SMERA believes that JDTEPL will maintain a stable outlook in the medium term on account of its promoter's vast experience in execution of turn key projects and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue along with improvement in profitability while maintain comfortable liquidity position. Conversely the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or liquidity profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), JDTEPL reported net profit after tax (PAT) of Rs. 1.98 crore on operating income of Rs. 39.75 crore compared to PAT of Rs. 1.46 crore on operating income of Rs.35.83 crore in the previous year. The net worth stood at Rs.16.48 crore as on 31 March, 2017 (Provisional) compared to Rs.14.98 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smerra.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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	11.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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ABOUT SMERA

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