

Press Release

Jampana Construction Private Limited

October 10, 2022

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|--------------------------------------|---------------------------|
| Bank Loan Ratings | 115.27 | - | ACUITE A3 Reaffirmed |
| Bank Loan Ratings | 19.73 | ACUITE BBB- Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 135.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A Three**) to the Rs. 135.00 Cr bank facilities of Jampana Construction Private Limited (JCPL). The outlook is '**Stable**'.

Rationale for Rating

The reaffirmation of the rating reflects established track record as well as the extensive experience of its promoters and management team in executing civil-construction contracts. Further, the rating also factors in the healthy order book position providing moderate revenue visibility over the medium term, moderate financial risk profile, adequate liquidity and favorable bid success ratios. However, the ratings remains constrained by working capital intensive nature of operations, geographic concentration of projects and susceptibility of its profits to tender based business and volatility in raw material prices, though partly mitigated by price escalation terms.

About the Company

Incorporated in 2003, Jampana Construction Private Limited (JCPL) is a Bengaluru based civil contractor engaged in the construction of commercial and residential buildings, bridges, hospitals, layout development etc. JCPL undertakes direct as well as subcontracted orders. The clientele of the Company includes National Building Construction Corporation (NBCC), Karnataka Housing Board (KHB), Karnataka Road Development Corporation Limited (KRDCL), Karnataka

Health System Development Research Projects (KHSDRP), Nagarjuna Construction Company Limited (NCCL), and Bangalore Development Authority (BDA), Military Engineer Services (MES) and other state and central government agencies. Directors of Jampana Construction Private Limited are Sridevi Jampana, Srinivasa Raju Jampana, Suvarchala Jampana Bhanu.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of JCPL to arrive at the credit rating.

Key Rating Drivers

Strengths

>Significant experience of the promoters in the construction sector

JCPL is promoted by Mr. J. Srinivasa Raju who has more than two decades of experience in the construction business. Due to established track record in the construction industry, the promoters have established relations with its customers which has benefitted in terms of bagging new orders in competitive bidding model. The company enjoys a strong presence in the construction segment with long standing relations with central and state government agencies which helped JCPL.

The company has an unexecuted order book of Rs.577.79 Cr in hand as on 30th June, 2022 which is to be executed over the next 12-24 months, provides adequate revenue visibility over the medium term. Further, the management have informed that they have a project in L1 of Rs.200 crore and are expecting to receive one more project worth Rs.200 crores before the end of FY2023. Thus, the company's focus remains primarily on the Government sector because of low credit risk.

Acuité believes that with diversified clientele, experienced management and operational track record, JCPL continues to enjoy the benefit of its business risk profile over the medium term.

>Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing, and healthy debt protection metrics. The tangible net worth stood at Rs.92.79 crore as on 31 March 2022 (Prov) as against Rs.84.19 crore as on 31 March, 2021 and Rs.73.50 crore as on 31 March, 2020. The total debt of the company stood at Rs.10.20 crore includes Rs.2.14 crore of long-term debt, Rs.5.06 crore of short-term debt, Rs.1.75 crore of Unsecured loans and Rs.1.25 crore of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 0.11 times as on 31 March 2022 (Prov) as compared to 0.07 times as on 31 March, 2021 and 0.33 times as on 31 March, 2020. Interest Coverage Ratio stood at 9.50 times for FY2022 (Prov) as against 4.71 times for FY2021 and 4.93 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 3.10 times in FY2022 (Prov) as against 2.11 times in FY2021 and 1.90 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.06 times as on 31 March, 2022 (Prov) as against 1.12 times as on 31 March, 2021 and 1.91 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 1.20 times for FY2022 (Prov) as against 1.52 times for FY2021 and 0.54 times for FY2020.

Acuité believes that with sufficient cash accruals, the financial risk profile is expected to improve over the medium term.

Weaknesses

>Working capital intensive nature of business

The working capital management of the company is intensive marked by GCA days of 290 days in FY2022 (Prov) as against 384 days in FY2021 and 273 days in FY2020. The primary reason for the same is higher unbilled inventory/work-in-progress at year end, resulting in higher inventory levels of 115 days in FY2022 as against 159 days in FY2021 and 87 days in FY2020 and majority of government departments, the receivable days are also high which stands at 61 days in FY2022 (Prov) as against 56 days in FY2021 and 87 days in FY2020. However, the creditor days stood at 117 days in FY2022 (Prov) as against 221 days in FY2021 and 171 days in FY2020.

Acuité believes that with moderate accruals, nature of the works, operations continue to be working capital intensive over the medium term.

>Tender nature of operations

JCPL operates in infrastructural construction industry which is highly competitive with presence of large number small, regional and large players. EPC projects executed by the company are tender based with wins going to, the lowest bidder qualifying the terms and conditions stipulated by the respective agencies floating the bids.

Acuité believes, tender based nature of operations results in volatile revenues and puts strain on profitability of the company where the bidding can get aggressive.

>Customer and geographical concentration risk

JCPL primarily caters to government bodies namely NBCC, a central public sector undertaking and state government bodies in Karnataka such as Karnataka Housing Board, Karnataka Health System Development Project, Karnataka PWD, Karnataka State Police Housing & Infrastructure Development Corporation. Since the group caters to clients in Tamil Nadu, Andhra Pradesh and Maharashtra, it is exposed to geographical and customer concentration risk.

Rating Sensitivities

- Deterioration in working capital cycle and any unplanned significant capex to deterioration of financial risk profile and liquidity.
- Timely execution of current order book without any cost overrun.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.9.28-Rs.13.25 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.1.25-Rs.2.85 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.10.91-13.35 crores against the maturing repayment obligations of around Rs.0.83 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 290 days in FY2022 (Prov) as against 384 days in FY2021 and 273 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.44 crore as on March 31, 2022 (Prov). The current ratio stands at 2.17 times as on March 31, 2022 (Prov). The average bank limit utilization in CC for State Bank of India for the past 06 months ending June 2022 is ~ 46.15 percent and for Union Bank of India for past 07 months ending August 2022 is ~30.07 percent. The average BG utilization for State Bank of India is ~39% and for Union Bank of India is 100% as on 31.08.2022 and an additional BG is taken under UBI of ~Rs.5.87 crores against 100% margin. The average LC utilization for State Bank of India is ~37% as on 31.08.2022.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of sufficient net cash accruals.

Outlook: Stable

Acuité believes that JCPL will maintain 'Stable' outlook and continue to benefit from the extensive experience of its promoters and the healthy order-book position. The outlook may be revised to 'Positive' if the company is able to demonstrate substantial growth in revenues and healthy profitability. Conversely, the outlook may be revised to 'Negative' if there is any slowdown in order execution, or cost escalation results in lower-than-expected cash accruals; or if any major capital expenditure or stretch in the working-capital cycle weakens liquidity.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 136.68 | 94.51 |
| PAT | Rs. Cr. | 8.60 | 5.34 |
| PAT Margin | (%) | 6.29 | 5.65 |
| Total Debt/Tangible Net Worth | Times | 0.11 | 0.07 |
| PBDIT/Interest | Times | 9.50 | 4.71 |

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

ICRA, vide its press release dated May 19, 2022 had reaffirmed the rating of JAMPANA CONSTRUCTION PRIVATE LIMITED to 'ICRA B+/A4; ISSUER NOT COOPERATING'.

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|-----------------------------------|
| 02 Aug 2021 | Letter of Credit | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 0.34 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.43 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 24.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Bank Facility | Short Term | 41.27 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 5.96 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 45.00 | ACUITE A3 (Reaffirmed) |
| 04 May 2020 | Bank Guarantee | Short Term | 12.50 | ACUITE A3 (Withdrawn) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 24.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 12.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 58.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 3.22 | ACUITE BBB- Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 12.00 | ACUITE A3 (Reaffirmed) |
| | Proposed Bank Facility | Short Term | 21.27 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 1.00 | ACUITE BBB- (Withdrawn) |
| | Term Loan | Long Term | 2.51 | ACUITE BBB- Stable (Reaffirmed) |

| | | | | |
|-------------|------------------|------------|-------|-----------------------------------|
| 19 Feb 2019 | Term Loan | Long Term | 9.50 | ACUITE BBB- Stable (Assigned) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 4.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 1.00 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 24.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 12.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 58.00 | ACUITE A3 (Reaffirmed) |
| | | Short | | |
| | Bank Guarantee | Term | 12.50 | ACUITE A3 (Assigned) |
| | Letter of Credit | Short Term | 12.00 | ACUITE A3 (Reaffirmed) |
| 21 Nov 2017 | Letter of Credit | Short Term | 12.00 | ACUITE A3 (Assigned) |
| | Cash Credit | Long Term | 14.00 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 8.00 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 82.00 | ACUITE A3 (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------------------------------|------------------|----------------|----------------|-------------------|--|
| State Bank of India | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | 40.00 | ACUITE A3 Reaffirmed |
| Union Bank of India | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 24.00 | ACUITE A3 Reaffirmed |
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BBB- Stable Reaffirmed |
| Union Bank of India | Not Applicable | Cash Credit | Not Applicable | 12.45 | Not Applicable | 2.00 | ACUITE BBB- Stable Reaffirmed |
| State Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A3 Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 7.73 | ACUITE BBB- Stable Reaffirmed |
| Not Applicable | Not Applicable | Proposed Short Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 41.27 | ACUITE A3 Reaffirmed |

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About Acuité Ratings & Research

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