

Press Release

Jainco Buildcon Private Limited

(previously known as Jainco Buildcon Limited)

February 06, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

SMERA has upgraded the long term rating to '**SMERA BB+** (read as SMERA double B plus) from '**SMERA BB**' (read as SMERA double B) and reaffirmed the short term rating at '**SMERA A4+**' (read as SMERA A4 plus) on the Rs. 35 crore bank facilities of Jainco Buildcon Private Limited (JBPL). The outlook is '**Stable**'.

JBPL, incorporated in 2006, is a Delhi based civil contractor that has executed civil construction projects for government entities such as Delhi Jal board (DJB), Public Health Engineering Department among others. The operations are managed by Mr. Naresh Jain and Mr. Yatin Jain.

The rating upgrade is in view of the improvement in management of debtors which has resulted in reduction in debtor days from 248 days in FY2016-17 to 69 days (as on 31 December, 2017) and significant growth in revenue till December, 2017 and a healthy revenue visibility over the medium term.

Key Rating Drivers

Strengths

• Experienced and qualified management

The promoter Mr. Naresh Jain has experience of more than three decades in the civil construction industry his son, Mr. Yatin Jain joined the business in 2012. Apart from the promoter family, the company also has professional personnel such as Mr. K G Malik, who has joined as the President (construction division) in 2007. Over the years, the company has been able to establish comfortable relationships with their key clients. The clients of the company include Delhi Jal Board (DJB), Larsen & Toubro Limited, Public Health Engineering Department etc.

• Moderate scale of operations and healthy order book

The scale of operations of the company are moderate with revenues of around Rs. 39.65 crore in FY2016-17 as compared to Rs. 49.19 crore in the preceding year. The company has booked revenues of around Rs. 53.34 crore during April to December 2017 (provisional). The company has a healthy order book position of around Rs. 242.73 crore of which orders worth around Rs. 75 crore are expected to be executed by March 2018. This order book lends comfortable revenue visibility over the medium term.

Weaknesses

• Stretched working capital cycle

The operations of the company are working capital intensive evident from the gross current asset (GCA) days of 291 in FY2017 as compared to 216 days in the previous year. This is mainly due to high debtor days of around 248 days in FY2017 as against 162 days in FY2016. The high debtors have been mainly due to delay in collections during the year end. The debtor levels stood at Rs. 27.58 crore as on March 31, 2017. However, the debtor levels have improved to around Rs. 10.24 crore as on December 31, 2017.

SMERA believes that reduction in debtor levels would be a key rating sensitivity factor.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Jainco Buildcon Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that Jainco Buildcon Private Limited's will maintain a stable outlook backed by the long experience of the promoters and a healthy order book position. The outlook may be revised to positive in case the company receives higher than expected revenues and profit margins. The outlook may be revised to negative in case of lower than expected profit margins and deterioration in its working capital cycle.

About the Group

For FY2017, JBPL registered profit after tax (PAT) of Rs.0.37 crore on operating income of Rs.39.65 crore as against PAT of Rs.0.91 crore on operating income of Rs.49.19 crore in the previous year. The net worth stood at Rs.10.88 crore as on 31 March, 2017 compared to Rs.10.10 crore as on 31 March, 2016.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.65	49.19	44.43
EBITDA	Rs. Cr.	2.17	2.63	2.91
PAT	Rs. Cr.	0.37	0.91	1.12
EBITDA Margin	(%)	5.47	5.36	6.55
PAT Margin	(%)	0.92	1.84	2.51
ROCE	(%)	7.25	9.26	12.37
Total Debt/Tangible Net Worth	Times	3.51	2.89	2.50
PBDIT/Interest	Times	1.89	2.80	3.70
Total Debt/PBDIT	Times	6.52	7.03	3.82
Gross Current Assets (Days)	Days	291	216	156

Any other information none

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- InfrastructureEntities-<https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Name Instrument Facilities	of / Scale	FY 2017		FY 2016		FY 2015	
		Amt (Rs. Cr.)	Rating	Date	Rating	Date	Rating
Cash Credit	LT	9.00	SMERA BB (Indicative)	22 Dec, 2015	SMERA BB/Stable (Reaffirmed)	22 Sept, 2014	SMERA BB/ Stable (Assigned)
Bank Guarantee	ST	11.00	SMERA A4+ (Indicative)	22 Dec, 2015	SMERA A4+ (Reaffirmed)	22 Sept, 2014	SMERA A4+ (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	NA	NA	NA	11.00	SMERA BB+/ Stable
Bank Guarantee	NA	NA	NA	24.00	SMERA A4+

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ABOUT SMERA

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