

Press Release

Jaidhar Constructions

June 21, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.50 crore (enhanced from Rs. 7.50 crore)
Long Term Rating	ACUITE BB-/Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.7.50 crore bank facilities of Jaidhar Constructions (JC). The outlook is '**Stable**'.

Further, Acuité has assigned long term rating of **ACUITE BB-** (**read as ACUITE double B minus**) to the Rs.8.00 crore bank facilities of JC. The outlook is '**Stable**'.

JC was established in 1998 by a Mr. Chandrasekhar Rao. The firm started its operation as a stone crushing unit and expanded to other product lines, such as earthworks, brick works. Further, in 2008 JC started the production of Ready Mix Concrete (RMC). The firm now mainly provides RMC and bricks in the region of Telengana. JC operates from two major plants located in Keesara and Gandimaisamma in Telengana region. The firm is also operating out of a project plant in Kaleshwaram for Sri Ayyappa Swamy Constuctions.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoters of the firm have extensive experience in the RMC industry. The extensive experience of the promoters and established relationships with its suppliers and customers will help the firm to maintain its business risk profile over the medium term.

- **Moderate scale of operations and healthy order book**

The scale of operations of the firm grew at 19.94 percent CAGR (from FY2015 to FY2018) with revenue of Rs.15.85 crore in FY2017-18 (Provisional) as compared to Rs.12.75 crore in the preceding year. The firm has a healthy order book position of ~Rs.55.93 crore of which orders of ~Rs.30.00 crore are expected to be executed by March 2019. This order book lends comfortable revenue visibility over the medium term.

Weaknesses

- **Average financial risk profile**

JC has average financial risk profile marked by tangible net worth of Rs.5.04 crore as on 31 March, 2018 (Provisional) as against Rs.4.90 crore as on 31 March, 2017. The debt to equity ratio stood at 1.31 times as on 31 March, 2018 (Provisional) as against 1.38 times as on 31 March, 2017, the debt to equity ratio is expected to deteriorate in the near term, in view of debt funded capex. However, the same is expected to improve moderately in the medium term with improvement in scale of operations. The debt of Rs.6.58 crore mainly consists of term loans of Rs.3.97 crore and working capital borrowings of Rs.2.61 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 2.89 times for FY2018 (Provisional) as against 2.86 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.62 times for FY2018 as against 2.50 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at

1.58 times as on 31 March, 2018 (Provisional) as against 1.92 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to be impacted due debt funded capex plans.

• Competitive and fragmented industry

The RMC industry is highly competitive with intense competition from organized as well as unorganized players. This has resulted in low profitability of 1.92 percent in FY 2018 (Provisional) as against 0.95 percent in FY2017 and 1.04 percent in FY2016.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone business and financial risk profile of Jaidhar Constructions.

Outlook: Stable

Acuité believes that Jaidhar Constructions' financial outlook will remain 'Stable' and the firm will be able to maintain its credit profile in the medium term. The outlook may be revised to 'Positive' in case the firm receives higher than expected revenues and profit margins. The outlook may be revised to 'Negative' in case of lower than expected profit margins and higher than expected debt funded working capital requirements and capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.85	12.75	9.85
EBITDA	Rs. Cr.	2.50	2.00	1.10
PAT	Rs. Cr.	0.30	0.12	0.10
EBITDA Margin	(%)	15.79	15.72	11.14
PAT Margin	(%)	1.92	0.95	1.04
ROCE	(%)	10.05	8.63	6.20
Total Debt/Tangible Net Worth	Times	1.31	1.38	0.63
PBDIT/Interest	Times	2.89	2.86	3.47
Total Debt/PBDIT	Times	2.63	3.37	2.62
Gross Current Assets (Days)	Days	109	153	189

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Crore)	Ratings/Outlook
20-Feb-2018	Cash Credit	Long Term	2.75	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	0.80	ACUITE A4+ (Assigned)
	Term Loan	Long Term	3.95	ACUITE BB- / 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	2.75	ACUITE BB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.61	ACUITE BB-/Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE BB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.99	ACUITE BB-/Stable (Assigned)
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.01	ACUITE BB-/Stable (Assigned)

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About Acuité Ratings & Research:

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