

## Press Release

### Jaidhar Constructions

September 13, 2021



### Rating Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs. 15.50 Cr.
<b>Long Term Rating</b>	ACUITE BB- (Withdrawn)
<b>Short Term Rating</b>	ACUITE A4+ (Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the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.15.50 Cr bank facilities of Jaidhar Constructions (JC).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

### About the company

Jaidhar Constructions (JC) was established as a partnership concern by Mr. N Chandra Shekar Rao along with his wife Mrs. N Rukmini Devi in November 2006. The registered office of the firm is located in Secunderabad, Telangana. JC ventured into manufacturing of building materials and production of Ready Mix Concrete (RMC) with a capacity of 60 cubic metre/hour. At present, the company operates 2 RMC plants in Hyderabad, Telangana.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of JC to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Extensive experience of the promoters

JC was established in 2006, promoted by Mr. N Chandra Shekar Rao along with his wife Mrs. N Rukmini Devi, the promoters of the company have been engaged in the same industry for more than a decade. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. On the back of the stable and repeat orders by the key customers, the revenues have seen a compound annual growth rate (CAGR) of about ~20 per cent over the past four years through FY2021 (provisional) at Rs.26.59 Cr. Acuité believes that JC will continue to benefit from the promoters' expertise, their strong understanding of local market dynamics, and healthy relations with customers and suppliers should continue to support the business.

##### • Moderate financial risk profile

JC's financial risk profile is above average, marked modest net worth, high gearing and average debt protection metrics. The net worth stood at Rs.5.39 Cr as on 31 March, 2021 (Provisional) as against Rs.5.08 on 31 March, 2020. It's gearing and Total outside liabilities to tangible net worth (TOL/TNW) stood 2.09 times and 2.33 times respectively, as on March 31, 2021 (Provisional) vis-à-vis 1.78 times and 2.05 times as on March 31, 2020. JC's debt protection metrics are moderate marked by interest coverage of 2.68 times and The net cash accruals to total debt (NCA/TD) of 0.16 times for FY2021 (Provisional) as against 2.93 times and 0.23 times, respectively, for FY2020. Acuité believes that the financial profile of the JC is expected to similar levels over the medium term in the absence of significant debt-funded capex plans over the medium term.

#### Weaknesses

- **Working capital intensive nature of operations**

Working capital intensive nature of operations JC's working capital management is moderate oriented as reflected in its Gross Current Asset (GCA) days of 97 as on March 31, FY2021 (provisional) as against 112 days as on March 31, 2020. The high GCA is mainly attributed to high debtor days of about 66 and inventory days of 10 as on March 31, FY2021 (provisional) vis-à-vis debtor 87 days and inventory 23 days as on March 31, 2020. Its working capital limits are highly utilized at about 92 percent over six months through Aug 2021. Acuité believes that operations are likely to remain working capital intensive.

- **Moderate scale of operations and Slowdown expected in the end-user industry**

With an operating income of Rs.26 Cr in fiscal 2021 (provisional), scale remains modest in the intensely competitive ready-mix concrete segment from both organized players and several local entities, catering to regional demand in the building material industry which also has low product differentiation. These factors limit bargaining power with suppliers and customers. Acuité believes that, the business model of JC will remain a key monitorable over the medium term.

**Rating Sensitivities**

- Improvement in the scale of operations while maintaining profitability levels
- Large, debt-funded capital expenditure, weakening the financial risk profile.
- Improvement in the working capital cycle and capital structure

**Material covenants**

None

**Liquidity Position: Stretched**

JC has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The JC generated cash accruals of Rs.1.70 to 2.00 crore during the last three years through 2019-FY2021 (provisional), while its maturing debt obligations were in the range of Rs.1.00-1.50 crore over the same period. The cash accruals of the JC are estimated to remain around Rs.1.40-2.00 crore during 2022-24 while their repayment obligations are estimated to be around Rs. 1.50-2.00 crore during the same period. The working capital limit has remained extensively utilised at 92 percent on an average over the 6 months ending Aug 2021. The current ratio stands weak at 2.02 times and minuscule cash and bank balances as on March 31, 2020 (provisional). Acuité believes that the liquidity of the JC is likely to remain stretch over the medium term.

**Outlook: NA**

**About the Rated Entity - Key Financials**

	Unit	FY21 (Provisional)	FY20(Actual)
Operating Income	Rs. Cr.	26.63	20.41
PAT	Rs. Cr.	0.17	0.46
PAT Margin (%)	(%)	0.64	2.25
Total Debt/Tangible Net Worth	Times	2.09	1.78
PBDIT/Interest	Times	2.68	2.93

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

NA

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>

**Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-July-2020	Secured Overdraft	Long Term	2.50	ACUITE BB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.80	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.60	ACUITE BB-/ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.25	ACUITE BB-/ Stable (Reaffirmed)
	Term Loans	Long Term	0.95	ACUITE BB-/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	8.40	ACUITE BB-/ Stable (Reaffirmed)
29-Aug-2019	Cash Credit	Long Term	2.75	ACUITE BB- Issuer not co-operating*
	Bank Guarantee	Short Term	0.80	ACUITE A4+ Issuer not co-operating*
	Term Loan	Long Term	3.61	ACUITE BB- Issuer not co-operating*
	Proposed Bank Facility	Long Term	0.34	ACUITE BB- Issuer not co-operating*
	Term Loans	Long Term	1.99	ACUITE BB- Issuer not co-operating*
	Proposed Term Loans	Long Term	3.00	ACUITE BB- Issuer not co-operating*
	Proposed Cash Credit	Long Term	2.00	ACUITE BB- Issuer not co-operating*
	Proposed Bank Facility	Long Term	1.01	ACUITE BB- Issuer not co-operating*
21-June-2018	Cash Credit	Long Term	2.75	ACUITE BB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.80	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	3.61	ACUITE BB-/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.34	ACUITE BB-/ Stable (Reaffirmed)
	Term Loans	Long Term	1.99	ACUITE BB-/ Stable (Assigned)
	Proposed Term Loans	Long Term	3.00	ACUITE BB-/ Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB-/ Stable (Assigned)
	Proposed Bank Facility	Long Term	1.01	ACUITE BB-/ Stable (Assigned)

## #Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.Cr.)	Ratings
Canara Bank	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- ( Withdrawn)
Canara Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE A4+ ( Withdrawn)
Canara Bank	Term Loan	31-May-2018	Not Available	31-May-2022	2.60	ACUITE BB- ( Withdrawn)
Canara Bank	Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB- ( Withdrawn)
HDFC Bank	Term Loans	Not Available	Not Available	Not Available	0.95	ACUITE BB- ( Withdrawn)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.40	ACUITE BB- ( Withdrawn)

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## About Acuité Ratings & Research:

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