

Press Release

JAGDISH PRASAD AGARWAL

MARCH 24, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.17.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B Plus**) and short term rating of '**SMERA A4**' (**read as SMERA A4**) on the Rs.17.00 crore bank facilities of JAGDISH PRASAD AGARWAL. The outlook is '**Stable**'.

Jagdish Prasad Agarwal, a Rajasthan based partnership firm was established in the year 1972 by Mr. Vijay Kumar Agarwal, Mr. Sunil Kumar Agarwal and Mr. Ravindra Kumar Agarwal. The firm is mainly engaged in undertaking civil construction works for Rajasthan state government. The firm is having certificate of class-AA by PWD for contractor work in Rajasthan.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Jagdish Prasad Agarwal, a Rajasthan based partnership firm was established in the year 1972 by Mr. Vijay Kumar Agarwal, Mr. Sunil Kumar Agarwal and Mr. Ravindra Kumar Agarwal. Mr. Vijay Kumar Agarwal is having a degree of B.E in Civil Engineering and is having four decades of experience in same line of business. The firm is having certificate of class-AA by PWD for contractor work in Rajasthan. Hence long track record of operations has helped the firm to establish healthy relationship with their customers.

Weaknesses

- **Working capital intensive nature of operations**

The firm is having working capital intensive nature of operations marked by gross current asset days (GCA) of 186 days as on FY2017 as against 368 days in the previous year. The debtor days stood at 21 days as on 31st March 2017 as against 63 days in previous year. The inventory days stood at 19 as on 31st March 2017 as against 62 days in the previous year.

- **Average Financial Risk profile**

The firm is having average financial risk profile marked by low networth, comfortable gearing and moderate debt protection metrics. The networth stood at Rs.5.57 crore as on 31st March 2017 as against Rs.4.73 crores in the previous year. The gearing stood at 0.84 times as on 31st March 2017 as against 1.09 times in the previous year. The total debt of Rs.4.68 crore consists of long term loan of Rs.0.16 crore, unsecured loans of Rs.3.77 crores and short term debt of Rs.0.75 crores. The interest coverage ratio stood at 3.96 times in FY 2017 as against 3.50 times in the previous year. The NCA/TD ratio stood at 0.29 times in FY2017 as against 0.14 times in the previous year.

- **High Dependence on government orders**

The project portfolio of JPA is concentrated in the state of Rajasthan. Any change in geo political environment would affect their projects at large. Furthermore, any changes in current policies of the state government with regard to change in budget allocation would impact JPA's revenue considerably. The firm is currently having order book position of Rs.15.00 crore.

• Intense competition and fragmented nature of business

JPA operates in the construction industry which requires bidding for the projects based on the tenders. Accordingly, the company is exposed to intense competition from several organized and unorganized players. Given the volatile economic environment, there has been slowdown in release of new contracts, which has resulted in sluggish growth being witnessed by the construction industry.

Analytical Approach

SMERA has considered standalone financials of the firm.

Outlook: Stable

SMERA believes the outlook on JPA rated facilities will remain stable over the medium term on account of its established presence and experienced promoters. The outlook may be revised to 'Positive' if the company registers significant and sustainable growth in revenue and profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.97	8.74	4.34
EBITDA	Rs. Cr.	1.81	1.00	0.42
PAT	Rs. Cr.	1.07	0.48	0.22
EBITDA Margin	(%)	10.08	11.41	9.71
PAT Margin	(%)	5.97	5.53	5.11
ROCE	(%)	15.22	8.01	10.67
Total Debt/Tangible Net Worth	Times	0.84	1.09	1.22
PBDIT/Interest	Times	3.96	3.50	2.71
Total Debt/PBDIT	Times	2.58	5.15	6.87
Gross Current Assets (Days)	Days	186	368	683

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4

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ABOUT SMERA

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