

Press Release

Jagdish Prasad Agarwal

June 14, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs.17.00 cr. bank facilities of Jagdish Prasad Agarwal (JPA). The outlook is '**Stable**'.

Jagdish Prasad Agarwal (JPA), 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 classAA by PWD for contractor work in Rajasthan.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long operational track record of operations and experienced management-**

JPA has established track record of almost five decades in aforementioned line of business. The long experience of the partners, Mr. Vijay Kumar Agarwal, Mr. Sunil Kumar Agarwal and Mr. Ravindra Kumar Agarwal has helped the firm to establish a comfortable relations with their customers as well as their suppliers. Acuité believes that the firm will continue to benefit through the promoter's extensive industry experience over the medium term

- **Average Financial Risk Profile-**

The financial risk profile of JPA is average marked by tangible net worth of Rs.5.24 crore as on 31 March 2018 as against Rs.5.57 crore in the previous year. Gearing (debt-equity) of the firm stood at 1.00 times as on 31 March 2018 as against 0.84 times as on 31 March 2017. The interest coverage ratio stood at 4.59 times for FY2018 as against 3.96 times for FY2017. DSCR stood at 4.59 times for FY2018 as against 3.96 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.40 times as on 31 March 2018 as against 0.95 times as on 31 March 2017.

Weaknesses

- **Working capital intensive nature of operations-**

The operations of the firm are moderately working capital intensive marked by Gross Current Assets days (GCA) of 111 days in FY2018 as against 90 days in the previous year. This was on the account of debtor days of 34 days in the FY2018 as against 21 days in FY2017. Further Inventory days stood at 23 days for the FY2018 as against 19 days in the FY2017.

- **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 all the 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.

- **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 firm is exposed to intense competition from several organised and unorganised 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.

Liquidity position

JPA has moderate liquidity position marked by average net cash accruals to its maturing debt obligations. JPA generated net cash accruals of Rs.1.31 crore for the FY2018 with the maturing debt obligation of Rs.0.07 crore for the same period. The firm maintains unencumbered cash and cash balances of Rs.0.24 crore as on 31st March 2018 as against Rs.0.22 crore as on 31st March 2017. The current ratio of JPA stood at 4.05 times as on 31st March, 2018 and 6.88 times as on 31st March 2017. Further JPA has working capital intensive nature of operations marked by Gross Current Assets days (GCA) of 111 days in FY2018 as against 90 days in FY2017.

Outlook: Stable

ACUITE believes that JPA will continue to benefit over the medium term on the account of its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.77	17.97	8.74
EBITDA	Rs. Cr.	1.67	1.81	1.00
PAT	Rs. Cr.	1.01	1.07	0.48
EBITDA Margin	(%)	8.90	10.08	11.41
PAT Margin	(%)	5.37	5.97	5.53
ROCE	(%)	13.25	15.22	8.01
Total Debt/Tangible Net Worth	Times	1.00	0.84	1.09
PBDIT/Interest	Times	4.59	3.96	3.50
Total Debt/PBDIT	Times	3.12	2.58	5.15
Gross Current Assets (Days)	Days	111	90	238

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.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. Cr)	Ratings/Outlook
24-March-18	Over draft	Long term	1.00	ACUITE B+/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE B+/Stable (Assigned)
	Proposed Bank Guarantee	Short Term	8.50	ACUITE A4 (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	6.50	ACUITE A4 (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
Over draft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+/Stable (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4 (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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