

Press Release

JANDU CONSTRUCTION COMPANY

May 23, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 46.00 Cr. |
| Long Term Rating | SMERA BBB- / Outlook: Stable |
| Short Term Rating | SMERA A3 |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 46.00 crore bank facilities of JANDU CONSTRUCTION COMPANY. The outlook is '**Stable**'.

Jandu Construction Company (JCC) was established in the FY 2005. The firm is engaged in the construction of roads and bridges. The firm caters only to government projects and is entirely based on tender system. Also, the firm is Class I contractor of PWD (Public works department).

Key Rating Drivers

Strengths

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

The promoters have an experience of more than two decade in civil construction industry. Backed by their experience have been able to maintain mutually beneficial relations with customers and suppliers. The firm is Class 1 contractor of PWD.

- **Healthy order book position**

The order book position is healthy and has been improving on a year on year basis. The orders in hand are Rs. 254.47 crore as on date out of which 70% are expected to be completed in FY 2018-19.

- **Improvement in operating margins**

The EBIDTA margin improved to 9.10 percent in FY2017 from 5.58 percent in FY2016. The PAT margin stood at 4.93 percent in FY2017 compared to 2.14 percent in FY2016. However the EBIDTA margins and PAT margins have slightly declined to 8.33 percent and 4.57 percent respectively in FY2018 (Provisional).

- **Healthy working capital management**

The working capital management of JCC with Gross Current Asset (GCA) of 106 days in FY2018 (provisional) is satisfactory. The debtor and creditor days were low at 7 and 33 days as per FY2018 (provisional). The DSCR and interest coverage ratio improved from 2.27 and 3.88 in FY2017 to 2.39 and 4.68 respectively as per the provisional figures of FY2018.

Weaknesses

- **Tender based nature of business**

The firm deals with government organizations and quotes for the contracts on tender basis. Going forward the firm's ability to successfully bid for greater number of large orders remains to be seen. However the promoters experience and relationship mitigates this factor to an extent.

- **Competitive and fragmented industry**

The company undertakes civil works on contract basis. The particular sector is marked by the presence of several players of various sizes. The firm is therefore exposed to intensive competition from the other

players.

Analytical Approach

SMERA has considered standalone business and financial risk profile of the firm (JCC).

Outlook: Stable

SMERA believes JCC will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 137.11 | 118.22 | 103.29 |
| EBITDA | Rs. Cr. | 11.42 | 10.76 | 5.76 |
| PAT | Rs. Cr. | 6.27 | 5.83 | 2.21 |
| EBITDA Margin | (%) | 8.33 | 9.10 | 5.58 |
| PAT Margin | (%) | 4.57 | 4.93 | 2.14 |
| ROCE | (%) | 22.38 | 28.21 | 17.35 |
| Total Debt/Tangible Net Worth | Times | 1.27 | 1.77 | 1.40 |
| PBDIT/Interest | Times | 4.68 | 3.88 | 2.80 |
| Total Debt/PBDIT | Times | 2.06 | 2.13 | 2.55 |
| Gross Current Assets (Days) | Days | 106 | 106 | 73 |

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto 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 |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 12.00 | SMERA BBB- / Stable |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 1.00 | SMERA BBB- / Stable |

| | | | | | |
|------------------------------------|----------------|----------------|----------------|-------|----------|
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 7.00 | SMERA A3 |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA A3 |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 16.00 | SMERA A3 |

Contacts

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ABOUT SMERA

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