

Press Release

Jandu Construction Company

D-U-N-S® Number: 67-548-3257

February 01, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 71.00 Cr. (Enhanced from 46.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Negative
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 46.00 crore bank facilities of Jandu Construction Company. Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 25.00 crore bank facilities of Jandu Construction Company. The outlook is '**Negative**'.

The Haryana based Jandu Construction Company (JCC) was established in 2005. The Partnership 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).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of JCC to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters and healthy order book position**

The promoters have an experience of more than two decades in civil construction industry. Backed by the experience, they have been able to maintain mutually beneficial relations with customers and suppliers. The firm is a Class 1 contractor of PWD. The order book position is healthy and has been improving on year on year basis. The orders in hand are ~Rs. 560.00 crore as on December 31, 2018 which are expected to be completed in two and a half years' time.

- **Improvement in operating margins**

The EBITDA margins have been improved to 9.31 percent in FY2018 from 9.10 percent in FY2017 and 5.58 percent in FY2016. The PAT margin stood at 5.04 percent in FY2018 compared to 4.93 percent in FY2017 and 2.14 percent in FY2016. The firm is growing at a CAGR of 17 per cent.

Weaknesses

- **Tender based nature of business**

The firm deals with government organisations 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 a certain 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.

Liquidity Position

JCC's liquidity position is stretched marked by elongated working capital cycle along with high utilisation of its working capital facilities. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 149 in FY 2018 as against 106 days in FY2017. This is mainly due to high debtor of 52 days and high inventory of 52 days in FY2018 as against 36 days and 34 days in FY2017, respectively. The current ratio of the company stood moderate at 1.13 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of stretched receivables.

Outlook: Negative

Acuite believes that the outlook of JCC will remain 'Negative' over the medium term. The rating may be downgraded in case there may be further elongation of working capital cycle. Conversely, the outlook may be revised to 'Stable' in case the company registers expected growth in revenues and profitability while maintaining efficient working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	132.88	118.22	103.29
EBITDA	Rs. Cr.	12.37	10.76	5.76
PAT	Rs. Cr.	6.69	5.83	2.21
EBITDA Margin	(%)	9.31	9.10	5.58
PAT Margin	(%)	5.04	4.93	2.14
ROCE	(%)	24.39	28.21	17.35
Total Debt/Tangible Net Worth	Times	1.28	1.77	1.40
PBDIT/Interest	Times	4.53	3.88	2.80
Total Debt/PBDIT	Times	1.89	2.13	2.55
Gross Current Assets (Days)	Days	149	106	73

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>
- 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
23-May-2018	Cash Credit	Long Term	12.00	ACUITE BBB- / Stable (Assigned)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	16.00	ACUITE A3 (Assigned)

***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	ACUITE BBB- / Negative (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- / Negative (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	*1.00	ACUITE BBB- / Negative (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB- / Negative (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	*14.00	ACUITE A3 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.50	ACUITE A3 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3 (Reaffirmed)

*Bank guarantee total cap of Rs. 15.00 crore with interchangeability for overdraft upto Rs. 1.00 crore.

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About Acuité Ratings & Research:

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