

Press Release

JLPL Infrastructures Private Limited

December 13, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.15.00 Cr. (Enhanced from Rs. 10.00 crore)
Long Term Rating	ACUITE B/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.15.00 crore bank facilities of JLPL Infrastructures Private Limited (JIPL). The outlook is '**Stable**'.

Punjab-based, Janta Estates and Housing Development was established as a partnership firm in 1995 and later changed its name to JLPL Infrastructures Private Limited and its constitution to private limited company in 2014. The company is engaged in civil construction work at Mohali (Punjab). The company is currently working for projects of Janta Land Promoters Private Limited (JLPPL) under sector 66A of Mohali.

Analytical Approach

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

Key Rating Drivers

Strengths

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

The firm was established as a partnership concern in 1995 and later changed its constitution to a private limited company in 2014. Mr. Paramjit Singh (Director) and Mr. Kulwant Singh (Director) have more than two decades of experience in the civil construction industry.

The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. Acuite believes that the group will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive marked by gross current assets (GCA) of 467 days in FY2019 as compared to 541 days in FY2018. This is on account of high debtors' collection period of 141 days in FY2019 as against 193 days in FY2018 and inventory holding period of 351 days in FY2019 as against 384 days in FY2018. The average working capital utilization for past six months ended September 2019 stood high at ~96 per cent.

Acuite believes that the working capital operations of JIPL will continue to remain intensive over the medium term on account of elongated inventory holding period.

- **Average financial risk profile**

The company has average financial risk profile marked by low gearing and modest debt protection metrics. The net worth stood at Rs.20.13 crore as on 31 March, 2019 as against Rs.18.44 crore on 31 March, 2018 due to moderate accretion to reserves. The company has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 0.42 times as on 31 March 2019 as compared to 0.49 times as on 31 March, 2018. The total debt of Rs.8.38 crore as on 31 March, 2019 consisted of term loan of Rs. 0.50 crore, unsecured loans of Rs.0.93 crore and working capital requirement of Rs.6.94 crore. The interest coverage ratio stood at 3.82 times for FY2019 as compared to 4.73 times for FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.63 times as on 31 March 2019 as against 2.22 times as on 31 March 2018.

Acuite believes that the financial risk profile of the company is likely to remain average over the medium term, on account of low gearing and modest debt protection metrics.

Customer concentration risk

The company generates 100 percent of its revenues through a single customer- Janta Land Promoters Private Limited. Acuite believes that customer concentration risk will be a key rating sensitivity.

Rating Sensitivities:

- Growth in scale of operations and operating income.
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

Not Applicable

Liquidity position: Stretched

The company has stretched liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.79 crore for FY2019, with debt repayment obligations of Rs.0.42 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.3.19 crore to Rs.3.48 crore during 2020-22 against debt repayment obligations of Rs. 0.08 crore in the same period. The company’s working capital operations are intensive, marked by GCA of 467 days for FY2019. The company maintains cash and bank balances of Rs.0.16 crore as on 31 March, 2019. The current ratio stood at 1.24 times as on 31 March 2019. Acuite believes that the liquidity of the company is likely to remain average over the medium term on account of moderate cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite believes that the company will maintain a ‘Stable’ outlook on account of experienced management. The outlook may be revised to ‘Positive’ in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to ‘Negative’ in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	29.30	29.82
PAT	Rs. Cr.	1.75	2.17
PAT Margin	(%)	5.97	7.26
Total Debt/Tangible Net Worth	Times	0.42	0.49
PBDIT/Interest	Times	3.82	4.73

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-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.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
06-Nov-2018	Cash Credit	Long term	7.00	ACUITE B / Stable (Reaffirmed)

	Term Loan	Long term	1.06	ACUITE B / Stable (Reaffirmed)
	Proposed Bank Facility	Short term	1.94	ACUITE B/Stable (Reaffirmed)

***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	6.50	ACUITE B/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.06	ACUITE B/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.44	ACUITE B/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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