

Press Release

Jay Ambey Construction

April 20, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	15.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B Plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs 25.00 Cr. bank facilities of Jay Ambey Construction (JAC). The outlook is '**Stable**'.

Rational for Rating Assigned

The rating assigned reflects 8-10 years of experience of the partners in the infrastructure facilities. The rating also takes into account its healthy order book position as on October 2022 which states the total orders with the SPV stands at ~Rs. 2515 Cr out of which Rs. 1809.43 Cr is KCPL's share. KCPL has subcontracted Rs.856.24 Cr out of this orderbook to Jai Adinath Group and out of this around Rs.360 crore is unexecuted. It also considers moderate financial risk profile. The rating however is constrained by the limited track record of operations and intensive working capital operations.

About Company

M/s. Jay Ambey Construction, a partnership firm, incorporated in May 2021. The Company is engaged in operating in the state of Gujarat for construction of Water Supply Project, Drainage Systems & Overhead Tanks and ancillary Infrastructure Facilities. The day-to-day operations of the entity are managed by Mr. Gajeshbhai I. Moradia and Mr. Jayesh I. Hirpada

About the Group

M/s. Jay Adinath Infrastructure, a partnership firm, incorporated in May 2021. The Company is engaged in operating in the state of Gujarat for construction of Water Supply Project, Drainage Systems & Overhead Tanks and ancillary Infrastructure Facilities. The day-to-day operations of the entity are managed by Mr. Ketan Arunkumar Shah and Mr. Jaykumar Rasikbhai Savani.

M/s. Shree Ganesh Infrastructure, a partnership firm, incorporated in May 2021. The Company is engaged in operating in the state of Gujarat for construction of Water Supply Project, Drainage Systems & Overhead Tanks and ancillary Infrastructure Facilities. The day-to-day operations of the entity are managed by Mr. Savan Savani and Mr. Milan Vaghasia.

M/s. Om Construction - Ahmedabad, a partnership firm, incorporated in May 2021. The Company is engaged in operating in the state of Gujarat for construction of Water Supply Project, Drainage Systems & Overhead Tanks and ancillary Infrastructure Facilities. The daytoday operations of the entity are managed by Mr. Savan Savani and Mr. Milan Vaghasia.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Jay Adinath Infrastructure, Shree Ganesh Infrastructure, Om Construction- Ahmedabad and Jay Ambe Construction considering their common line of business, common management, and significant Financial and operational linkages. The entities are together referred to as Jai Adinath Group.

Key Rating Drivers

Strengths

>Track Record and Experienced management in the Infrastructure sector

Jay Adinath Infrastructure and Group was incorporated in May 2021. The Group is engaged in operating in the state of Gujarat for construction of Water Supply Project, Drainage Systems & Overhead Tanks and ancillary Infrastructure Facilities. The partners of the group are Mr. Ketan Arunkumar Shah & Mr. Jaykumar Rasikbhai Savani, Mr. Gajeshbhai I. Moradia & Mr. Jayesh I. Hirpada, Mr. Savan Savani & Mr. Milan Vaghasia and Mr. Savan Savani & Mr. Milan Vaghasia who have an experience of nearly 8-10 years in this business.

Acuité believes that the company is expected to continue to benefit from the proprietor's established presence in the industry and its improving business risk profile over the medium

>Moderate Financial Risk Profile

The financial risk profile of the group stood moderate, marked by average net worth and moderate gearing. The tangible net worth of the group stood at Rs.3.00 crore as on 31 March 2022. The total debt of the group stood at Rs.33.98 crore as on 31 March 2022 which is fully short-term in nature. The gearing (debt-equity) stood at 11.32 times as on 31 March 2022. Interest Coverage Ratio stood comfortable at 3.27 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 3.27 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 22.63 times as on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times for FY2022.

Acuité believes that the financial risk profile of the company may impact with average net worth and moderate gearing.

Weaknesses

>Intensive Working Capital Operations

The working capital management of the company is intensive marked by GCA days of 388 days in FY2022. Going forward, the GCA days are going to remain high based on high debtor days, unbilled revenue in Other Current Assets and also the nature of the industry. Debtor days stood high at 181 days in FY2022 as most of the company billings happen in the end of the month of March and the payment period mostly comes in April. Considering the nature of the industry, going forward, the debtor days are going to remain high. The average credit period allowed to customers is 90 days. However, the creditor days stood at 451 days in FY2022. The average credit period allowed by suppliers is around 30-90 days.

Acuité believes that intensive working capital management will be maintained by the group looking at the industry and its operations.

>Modest Scale of Operations

The scale of operations of the group remains modest with revenue generated of Rs 61.07 Crore in FY 2022. The revenue generated is purely achieved on executing the orders which is taken on 100% subcontract basis from the Kevadiya Construction Private Limited. Also, the group has achieved a revenue of Rs.66.61 crore till November 2022 and has target to

achieve ~Rs.85 crore by the end of FY2023.

Acuite believes that operations of the firm will remain modest over the medium term and with the income from from executing strong Order book it may increase from FY 2023 onwards.

>Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor.

Rating Sensitivities

- Ability to improve its scale of operations and profitability margins.
- Elongation in the working capital cycle and stretched liquidity.

Material Covenants

None.

Liquidity Position Stretched

The group's liquidity position is Stretched, marked by modest net cash accruals against no debt obligations. The group has net cash accruals in the range of Rs.3.41 Crore for FY 2022. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.4.64-7.78 crore over the medium term. The working capital management of the group is intensive marked by GCA days of 388 days in FY2022. The group maintains unencumbered cash and bank balances of Rs.1.55 crore as on March 31, 2022. The current ratio stands at 1.03 times as on March 31, 2022. The average bank limit utilization in CC limits is approx. 95%-100% percent of the sanctioned amount. The average BG utilization is around 30%-40% for Shree Ganesh Infrastructure, around 80%-90% for Jay Ambey Construction and Om Construction Ahmedabad. BG facilities were sanctioned in July 2021 for all the four entities. The utilization would increase further in all the entities as the business progresses.

Acuite believes that the liquidity positions of the company is a key rating sensitivity

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook owing to the experienced management in the sector and strong order book position. The outlook may be revised to 'Positive' in case of significant growth in its revenues and its profitability and improving its capital structure by equity infusion. Conversely, the outlook may be revised to 'Negative' in case any elongation in its working capital cycle leading to deterioration of its liquidity and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	61.07	0.00
PAT	Rs. Cr.	3.41	0.00
PAT Margin	(%)	5.58	0.00
Total Debt/Tangible Net Worth	Times	11.32	0.00
PBDIT/Interest	Times	3.27	0.00

Key Financials (Consolidated)

The partnership firm has started generating revenue from FY2022, hence the figures shown in KFI table is only for FY2022

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

Not Applicable.

Any Other Information

Standalone Figures:

Particulars	Unit	FY2022 (Actual)	FY2021 (Actual)
Operating Income	Rs. Cr	13.10	0.00
PAT	Rs.Cr	0.96	0.00
PAT Margin	%	7.37	0.00
Total Debt/Tangible Net Worth	Times	10.23	0.00
PBDIT/Interest	Times	2.94	0.00

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Available

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Mehsana Urban Cooperative Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4 Assigned
The Mehsana Urban Cooperative Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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