

Press Release
J B CONSTRUCTIONS
June 17, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	5.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	5.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B Plus**) on the Rs. 5.00 Cr. bank facilities of JB Constructions. The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the long-standing experience of the J B Constructions in real estate market and execution of residential ,commercial projects and adequate collections from the customer. However, the rating is constrained by project completion risk, modest scale of operations and susceptibility to cyclicity inherent to real estate industry.

About the Company

Mumbai based, J B Constructions was formed in 1997. It is engaged in the development of residential and commercial building. Shri. Ashirwad M. Bondre and Shri. Shripad S. Joshi are partners of the entity.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations-

The Partnership firm is managed by Shri. Ashirwad M. Bondre and Shri. Shripad S. Joshi and a team of experienced personnel. The Partners possess over 30 years of experience in this line of business. The firm has 27 years of experience as a real estate developer through various projects executed at Dombivali location. Currently the firm is engaged in development of two residential buildings namely Manisha Chs Ltd and Raghukunj Chs Ltd. The total saleable area of the projects under construction stand at 43809 sq ft.

Acuite believes that the partners have demonstrated good execution capabilities with a reputation for quality and timely completion in the past. Further partner's industry experience is expected to support in a successful sale of the units in the on-going project.

Weaknesses

Completion Risk-

The construction of the project Manisha Chs Ltd started in January 2023 and the same is expected to get completed by January 2025. Whereas the project Raghukunj Chs Ltd is

stated to start in June 2024 and get completed by January 2026. The completion risk for the new projects remains high, as being in nascent stage of construction. The same is mitigated to some extent by the established track record of completion of projects in timely manner by the firm. However, any delay in completion of the project may lead to cost and time overruns which will remain a key rating sensitivity going ahead.

Modest Scale of operations-

Firm has modest scale of operations marked by revenue of Rs. 2.01 Cr. in FY23 as against Rs. 3.25 Cr. in FY22. Further the revenue is expected to remain in the similar range over the medium term. The operating profit margin for FY23 stood at 6.91 percent as compared to 9.04 percent in FY22.

Susceptibility to Real Estate Cyclical, Regulatory Risks and intense competition in the industry -

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players.

Rating Sensitivities

Timely completion of the project development

Timely sale of unsold inventory and realisation of its customer advance

Any Sharp decline in cash flow due to slower customer advances or delays in project execution.

Liquidity Position

Adequate

The Firm's liquidity position is adequate, and the company has sufficient net cash accruals of Rs.0.08 Cr. in FY2023 as against its NIL maturity debt obligations in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 0.18 – 0.22 crore as against the NIL maturing repayment obligations over the medium term. The firm is expected to have adequate liquidity over the medium term.

Outlook: Stable

Acuite believes the outlook on JB Constructions will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case of higher-than expected advances from customers resulting in adequate cash flows for early completion of the project. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2.01	3.25
PAT	Rs. Cr.	0.08	0.23
PAT Margin	(%)	4.12	7.11
Total Debt/Tangible Net Worth	Times	11.70	2.00
PBDIT/Interest	Times	2.54	4.26

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.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 Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Dombivli Nagari Sahakari Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	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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