

October 30, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	32.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	155.00	SMERA A3 (Assigned)

SMERA has assigned ratings of **'SMERA BBB-' (read as SMERA Triple B Minus)** to the Rs.32.00 crore long-term bank facilities and **'SMERA A3' (read as SMERA A Three)** to the Rs.155.00 crore short-term bank facilities of Jyoti Buildtech Private Limited (JBPL). The outlook is **'Stable'**. The ratings are supported by the company's strong project execution capability, diversified project mix, healthy financial profile and experienced management. However, the ratings are constrained by the company's high dependence on government orders and working capital funds. The ratings are also constrained by the delays and execution risks associated with the company's projects.

JBPL, established in 1994, is a Noida based company involved in undertaking civil and engineering, procurement and construction (EPC) contracts. The company mainly caters to government bodies. JBPL has demonstrated a strong execution capability by completing orders worth Rs.600.00 crore over the last three to four years. The company benefits from its well-established customer relationships with various government entities. JBPL's ratings derive comfort from the price escalation included in the company's contract agreements. JBPL has a healthy financial profile marked by PAT margin of 3.82 per cent and ROCE of 19.30 per cent for FY2011-12 (refers to financial year, April 01 to March 31). The company's debt protection metrics are comfortable with leverage at 1.60 times as on March 31, 2012 and interest coverage of 3.16 times in FY2011-12. The ratings also factor in the management's vast experience in the business. Mr. Charanjeet Singh, Director of JBPL, is a civil engineer with over three decades of experience in civil construction.

JBPL's ratings are constrained by the company's high dependence on government orders. The company executes contracts awarded by the central and state government departments only. In FY2012-13, the company registered a 30 per cent decline in total revenues on account of delays in work certification. Moreover, JBPL is susceptible to various project execution risks arising due to site-related issues. The company's working capital requirements are likely to increase in case of delays in revenue receipt or in case of further hurdles in executing the ongoing projects. The ratings are further constrained by the company's stretched receivables position arising due to delays in work certification. Moreover, approximately 5-10 per cent of the total contract value is held as retention money and released only after commissioning of the entire project.

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Outlook: Stable

SMERA believes JBPL's outlook will remain 'Stable' over the medium term on the back of the company's healthy order book position, experienced management and established customer relationships with various government departments. The outlook may be revised to 'Positive' in case JBPL generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of a further stretch in the company's liquidity position or in case of delays in project execution.

About the company

JBPL was established in 1994 as a proprietorship firm promoted by Mr. Charanjeet Singh. In 1999, the firm was converted to a private limited company. JBPL is engaged in executing various infrastructure projects including installation and commissioning of electrical substations, water treatment plants, sewer treatment plants, canal work and lake development. The company caters to government authorities and is a registered Class 'A' vendor with several government and statutory bodies.

For FY2011-12, JBPL reported PAT of Rs.7.78 crore on operating income of Rs.203.74 crore as compared with PAT of Rs.6.38 crore on operating income of Rs.175.51 crore for FY2010-11. The company's net worth stood at Rs.37.26 crore as on March 31, 2012. JBPL registered operating income of Rs.130.16 crore (provisional) for FY2012-13.

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