



Press Release

JayantiSuper Construction Private Limited [JSCPL]

September 24 , 2020

Rating

Sl. No	Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term- Fund Based- Cash Credit	4.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
2	Long /Short Term-Non Fund Based Bank Guarantee	143.00	IVR BBB/Stable Outlook/IVR A3+(IVR Triple B with Stable Outlook/IVR A3 +(IVR A3 Plus)	Assigned
	Total	147.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters , reputed clientele & proven project execution capability in water supply & drainage projects, improving revenue backed by healthy order book position, adequate capital structure & comfortable debt protection metrics ,reputed clientele, continuous support by infusing unsecured loans & subsequent conversion into equity, asset light business model and efficient working capital management. The rating however is constrained by sectoral concentration risk, moderate EBITDA & PAT margin and tender-based nature of operations with intense competition in the industry.

Key Rating Sensitivities:

Upward Rating Factor:

- Substantial growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis
- Sustenance of capital structure



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Downward Rating Factor:

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters

JayantiSuper Construction Pvt Ltd (JSCPL) was founded in 1987 by Mr. Jayantibhai Patel as “Super Construction Co” a partnership firm. He has a long standing experience in the civil construction sector and under his leadership JSCPL has established itself as a “AA” class contractor. Another Promoter, Mr. Babubhai Ranchhoddas Patel, is looking after all the financial matter of JSCPL. Further, JSCPL is managed by 2nd generation of family i.e. Mr. Amit Patel (Son of Jayantibhai Patel) who has joined JSCPL in the year 1994 after completing his diploma in Civil Engineering. The directors are well supported by a team of experienced and qualified professionals in day to day operations.

Reputed Clientele & Proven project execution capability in water supply & drainage projects

Over the years, the company has successfully completed many projects across the state for various medium to large government companies and departments. The company has major focus in executing in water and drainage projects. JSCPL bids for tenders floated by various government entities. The repeat orders received from its clientele validate its construction capabilities. In order to manage the projects in a better way and to grow in a balanced way, the company handles limited number of projects at a time to ensure timely completion. Due to the healthy client profile, the company has low counterparty risk.

Improving revenue backed by Healthy order book position

Total operating income grew at a CAGR of around 44% in the last three years ended FY20 (Provisional). It grew to INR371.73 crore in FY20 from INR124.57 in FY17. Y-o-Y revenue grew by 14.45% to Rs. 371.73 crore in FY20 (Prov.) from Rs. 324.79 crore in FY19.



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Revenue is expected to grow further in coming years and it is supported by unexecuted order book and proven execution capability.

JSCPL had an unexecuted order book of ~Rs. 1237.65 Crore as on July 31, 2020 (3.33x the revenue for FY20) and the same is expected to be executed in the next 12-36 months which provides revenue visibility for the short-medium term. Based on the strong order book and prior track record of the company to execute projects in a timely manner, Infomerics expects that the company will maintain a steady growth in FY21

Adequate capital structure and comfortable debt protection metrics

The overall gearing ratio remained healthy at 0.11x as on March 31, 2020 as compared to 0.02x in FY19 Further, the debt protection metrics of the company remained adequate with interest coverage ratio at 12.37x and long term debt to EBITDA at 0.06x as on March 31, 2020. Total indebtedness as reflected by the TOL/TNW remained comfortable at 0.49x as on March 31, 2020.

Continuous support by infusing unsecured loans & subsequent conversion into equity

The promoter has been able to pump in equity and/or unsecured loans as on when required reflects resourcefulness of the promoters. Liquidity is supported by regular infusion of unsecured loan from promoters for the entire last three years i.e. 2017 to 2020 and gradually unsecured loans is converted into equity in a planned manner. Also, JSCPL has increased its net worth (i.e. Paid Up capital & Security premium) by INR ~27.60 .This increase in net worth will help company to bid for more work orders.

Asset light business model

JSCPL follows an asset light business model of operations and sublets major part of work orders. This model helps the company to reduce its costs and gives the company the flexibility to scale up or scale down its operations, in line with the economic cycles

Efficient working capital management

The current ratio & quick ratio of the company remains comfortable at 2.61x and 2.22x respectively as on March 31, 2020. The company cash flow from operation also remains



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adequate. The liquidity of the company expected to remain strong in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. The company able to manage the working capital by keeping the gross cash conversion cycle below two months. The company reputation also able to enjoy it high credit period from the suppliers & sub-contractor. The company have enough cushion in the BG limits also to bid for the new projects and at the same time to submit BG for performance/Financial/EMD guarantees.

Key Rating Weakness

Sectoral Concentration Risk

JSCPL's order book is though geographically diversified across Gujrat (contributes to 50% of orders), followed by Karnataka (35%) and the rest from Madhya Pradesh and Maharashtra. However, most of the projects in order books orders are from the construction of water supply and Drainage systems. However, the concentrated order book leads to efficient monitoring which is reflecting in timely execution of the projects & lower receivable days.

Moderate EBITDA and PAT Margin

EBITDA Margin of JSCPL is range bound at 4.00% to 5.00% in last three years ended FY20. This reason for this is subletting of major portion of work orders to subcontractors. Though, subcontracting helps in speedy execution of projects but at the same time makes the EBITDA and PAT margin thin.

Tender-based nature of operations with intense competition in the industry

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Further, JSCPL receives all its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Infrastructure companies



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➤ Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Strong

The liquidity ratios of the company remained healthy with the current ratio at 2.61x and the quick ratio at 2.22x as on March 31, 2020. The company has gross cash accrual of INR. 12.60 Cr. against the repayment obligation of INR 0.76 Cr in FY20. JSCPL's utilization of the bank limits was low at around ~30.47 % over the last 12 months ended on July 31, 2020. The company have enough cushion in the BG limits also to bid for the new projects and at the same time to submit BG for performance/Financial/EMD guarantees.

About the company

JSCPL was established by Mr Jayantibhai Patel and Mr Babubhai R Patel in 1987 as a partnership firm named "Super Construction Company. The firm was reconstituted as a private limited company with the present name in June 2016. The company has been executing water supply works for 25 years and has established itself as a "AA" class contractor with the Gujarat government

Financials (Standalone)

	INR in Crore	
For the year ended / As on*	31-Mar-19 (A)	31-Mar-20 (P)
Total Operating Income	324.79	371.73
EBITDA	16.51	15.31
PAT	9.56	11.90
Total Debt	16.04	10.47
Tangible Net Worth	64.85	76.47
EBIDTA Margin (%)	5.08	4.12
PAT Margin (%)	3.39	3.19
Overall Gearing ratio (x)	0.20	0.11

* Classification as per Infomerics' standards

A-Audited and P-Provisional



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Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Cash Credit	Long Term	4.00	IVR BBB/ Stable Outlook	--	--	--
Bank Guarantee	Long/ Short Term	143.00	IVR BBB/ Stable Outlook/IVR A3+	--	--	--
	Total	147.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Analysts:

Name: Ms. Himani Singhal

Tel: (022) 62396023

Email: hsinghal@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuaniania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term-Fund Based-Cash Credit	--	--	--	4.00	IVR BBB/ Stable Outlook
2	Long /Short Term-Non Fund Based Bank Guarantee	--	--	--	143.00	IVR BBB/Stable Outlook/IVR A3+
Total					147.00	