Press Release

Jijau Constructions Road Builder Private Limited

April 24, 2024

Ratings

Instrument / Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	12.00	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	58.00 (includes proposed limit of Rs. 27.00 crore)	IVR A3 (IVR A three)	Assigned	Simple
Total	**70.00 (INR seventy crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Jijau Constructions Road Builder Private Limited (JCRBPL) derives comfort from its experience promoters with long operational track record, growth in scale of operations, healthy order book provides revenue visibility, comfortable capital structure and debt coverage indicators. These rating strengths are partially offset by profitability susceptible to volatile raw material prices, geographical construction risk, tender driven nature of business in highly fragmented & competitive operating scenario.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics
- Timely and proper execution of existing order book and diversification in regional presence

Downward Factors

- Decline in the operating income or profitability impacting the cash accrual
- Moderation in the capital structure with deterioration in the debt protection metrics

- Stretched receivables position impacting the liquidity position of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experience promoters with long operational track record

JCRBPL has more than a decade of long track record in the industry, and the promoters Mr. Nilesh Sambre having an experience of more than three decades in civil construction field and have long standing presence of the promoters in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

Growth in scale of operations

JCRBPL revenues have improved at a CAGR of ~15% from FY21-FY24 (provisional), with a year-on-year growth of ~12.62% in FY24 (Prov.). The company generated a total operating income of Rs. 275.24 crore in FY24(provisional) and Rs. 243.75 crore in FY23 (Rs. 198.71 crore in FY21), the improvement in revenue was driven by execution of the existing order and procurement of new tenders from government agencies. The unexecuted order book stood at ~ Rs. 409.32 Crores as of March 2024, which translates into 1.49 time of FY24 (prov) revenues thus providing revenue visibility for the next 12-18 months.

Healthy order book provides revenue visibility

The company has an unexecuted order book of Rs. 409.32 crore as on March 31, 2024, which provides revenue visibility in the near to medium term. However, timely and effective execution of the orders is critical for the company's earnings.

Comfortable capital structure and debt coverage indicators

The capital structure of the company had remained comfortable. The promoters have been infusing funds by way of unsecured loans which are subordinated to the bank debt, which keeps the net worth (net adjusted) at more comfortable level. The Overall gearing stood comfortable and improved to 0.37x as on March 31, 2024(Prov.) from 0.48x as on March 31, 2023. Long term debt to equity has also improved and stood at 0.28x as on March 31, 2024(Prov.) from 0.37x as on March 31, 2023. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 0.78x as on March 31, 2024(Prov.), against 1.15x as on March 31, 2023. Debt protection metrics of the company remained comfortable with improvement in the interest coverage ratio 4.90x in FY24 (Prov.) from 3.67x in FY23 led by increase in operating profit. Total debt to EBIDTA also improved to 1.54x in FY24 (Prov.) from 2.01x in FY23. DSCR also remains comfortable at 2.66x in FY24 (Prov.).

Key Rating Weaknesses

Profitability susceptible to volatile raw material prices

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the group remains susceptible to fluctuation in input prices. However, a presence of escalation clause in most of the contracts provides comfort.

Geographical construction risk

The company is exposed to geographical concentration risk due to its limited geographical presence mainly in Maharashtra only.

Tender driven nature of business in highly fragmented & competitive operating scenario

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from government departments through tenders floated by the departments. Economic vulnerability in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company is the sector.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Criteria of assigning rating outlook
- Complexity Level of Rated Instruments/Facilities

Liquidity–Adequate

The company will maintain adequate liquidity position going forward due to increased in accruals. The gross cash accruals stood at Rs.23.83 Cr as on March 31, 2024 (prov.) and the cash and bank balances of the company stood at Rs.6.66 Cr as on March 31, 2024(prov.) as against long term debt repayment of Rs 5.26 Cr. over the same period. Further, the current ratio stood comfortable at 1.26 x as on March 31, 2023. Further, the average fund-based limit utilisation remains at around ~86% over the 12 months ended March 2024 indicating adequate liquidity buffer.

About the Company

JCRBPL was initially formed as a partnership firm in 2009 and reconstituted as a private limited company in 2019, by the promoters, Mr Nilesh Sambre and Mrs Namrata Nilesh Sambre. The company undertakes civil construction projects for state government authorities such as PWD, Maharashtra State Road Development Corporation (MSRDC), amongst others. The scope of work encompasses construction and maintenance of roads, bridges, etc.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	198.71	243.75
EBIDTA	23.36	25.14
PAT	7.43	3.89
Total Debt	58.95	50.53
Tangible Net Worth	83.78	78.64
Adjusted Tangible Net Worth	110.93	105.79
EBDITA Margin (%)	11.76	10.32
PAT Margin (%)	3.65	1.56
Adj. Overall Gearing Ratio (x)	0.53	0.48

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	12.00	IVR BBB-/ Stable	-	-	-
2.	Bank Guarantee	Short Term	31.00	IVR A3	-	-	-
3.	Proposed Bank Guarantee	Short Term	27.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	12.00	IVR BBB-/ Stable
Bank Guarantee I	-	-	-	6.00	IVR A3
Bank Guarantee II	-	-	-	25.00*	IVR A3
Proposed Bank Guarantee	-	-	-	27.00	IVR A3

* *Cash Credit of Rs. 0.50 crore – sublimit of BG*

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Jijau-Constructions-apr24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.