



Infomerics Valuation And Rating Pvt. Ltd.

Jaycon Infrastructure Limited

March 28, 2019

Rating

| Sl. No. | Instrument/Facility | Amount (Rs. Crores) | Rating Assigned |
|---------|-----------------------------|------------------------|--|
| 1 | Bank Facilities- Long Term | 40.00 | IVR BB+/Positive Outlook (IVR Double B Plus with Positive Outlook) |
| 2. | Bank Facilities- Short Term | 60.00 | IVR A4+ (IVR A Four Plus) |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the extensive experience of its promoters in the construction industry, highly experienced managerial & technical team, healthy order book and a comfortable net worth. These strengths are partially offset by moderate scale of operations in a fragmented & competitive construction sector, client concentration risk and weak debt protection metrics. Scale of operations, profitability and debt protection parameters are the key rating sensitivities.

Outlook

The outlook on the rating is positive as the company expects improvement in debt protection parameters and scale of operations in the next 9 months. If the stated improvement falls significantly below expectation, then the outlook may be revised to Stable.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoter, Mr Jatinder Mittal has over two decades experience in the construction industry, which has helped the company clock a compounded annual growth rate of 8.4% in its total operating income over the three years through FY18. The Company is likely to benefit from its promoters extensive experience over the medium term.

Healthy Order Book

JIL had a healthy order book of Rs.206.06crore as on Dec 15, 2018 (1.53x the revenue for FY18) which provides healthy revenue visibility over the near term.

Highly experienced managerial & technical team

The management team of the company includes highly qualified & experienced professionals with many experienced engineers having rich credentials in the construction sector.

Comfortable net worth

JIL had a comfortable net worth of Rs.47.71crore as on March 31, 2018 which provides financial flexibility to the Company to raise additional funds in times of exigency.

Key Rating Weaknesses

Moderate scale of operations

JIL has a moderate scale of operations in an intensely competitive industry which is marked by the presence of large companies as well as several small players. However, the Company achieved revenues of Rs. 95.03crore in the nine months through Dec 2018 as against Rs.93.84crore in the nine months through Dec 2017.



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Highly fragmented & competitive nature of the construction sector with significant price war

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in mushrooming increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the sustenance and healthy growth of the industry.

Weak debt protection metrics

The debt protection metrics of JIL remained weak in FY18 as reflected in interest coverage ratio of 1.30x and Total debt/ GCA of 4.32x in FY18. Though the debt protection metrics are likely to improve going forward on the back of improvement in scale and profitability, they will remain modest.

Client concentration risk

The Company is exposed to concentration risk as 3 customers comprise 73.6 per cent of the outstanding order book.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The Company has moderate liquidity as reflected in adequate expected accruals over the medium term as against repayment obligations. However, JIL's working capital bank limits remained highly utilized over the twelve months through Jan, 2019.

About the Company

Jaycon Infrastructure Limited (JIL) is a Public Limited Company incorporated in 2007. In Feb, 2007, the Company took over the assets and liabilities of Jatinder Mittal Engineers and



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Contractors, a partnership firm set up by Mr. Jatinder Mittal in 1992. The company is engaged in construction of residential and commercial buildings, bridges and road projects. JIL undertakes projects for Government departments and for Private sector; with majority of the projects being executed for Government.

Financials (Standalone):

| For the year ended* | (Rs. crore) | |
|---------------------------|----------------|----------------|
| | 31-03-2017 | 31-03-2018 |
| | Audited | Audited |
| Total Operating Income | 125.68 | 134.80 |
| EBITDA | 15.28 | 10.63 |
| PAT | 3.93 | -0.19 |
| Total Debt | 43.39 | 42.32 |
| Tangible Net worth | 47.71 | 47.71 |
| EBITDA Margin (%) | 12.16 | 7.88 |
| PAT Margin (%) | 3.12 | -0.14 |
| Overall Gearing Ratio (x) | 0.91 | 0.89 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Rating has moved the rating into Issuer Not Cooperating category (September 10, 2018) as the company did not submit the requisite information to them.

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facil | Current Rating (Year 2018-19) | Rating History for the past 3 years |
|---------|--------------------------|-------------------------------|-------------------------------------|
|---------|--------------------------|-------------------------------|-------------------------------------|

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| | ities | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 |
|----|--|------------|--------------------------------|------------------|---|---|---|
| 1. | Long Term Fund Based Limits – Cash Credit | Long Term | 30.00 | IVR BB+/Positive | - | - | - |
| 2. | Long Term Fund Based Limits – Corporate Loan | Long Term | 10.00 | IVR BB+/Positive | - | - | - |
| 3. | Short Term Non Fund Based Limits –Bank Guarantee | Short Term | 60.00 | IVR A4+ | - | - | - |

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 Rating Analyst:

Name: Ms.Aakriti Sachdeva

Tel: (011) 2465 5636

Email: asachdeva@infomerics.com

About Infomerics:



Infomerics Valuation And Rating Pvt. Ltd.

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--|------------------|----------------------|---------------|---------------------------------|-----------------------------|
| Long Term Bank Facilities- Cash Credit | - | 1 Yr MCLR + 2.75% | On demand | 30.00 | IVR BB+/Positive |
| Long Term Bank Facilities- Corporate Loan | 2017 | 1 Yr MCLR + 3.75% | 2022 | 10.00 | IVR BB+/Positive |
| Short Term Bank Facilities -Bank Guarantee | - | - | < 1 year | 60.00 | IVR A4+ |