Rating Rationale

Jai Mata Dee Construction

10 April 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 16.50 Crores of Jai Mata Dee Construction.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (Dec, 2017)	Previous (March, 2019)	Present
Fund based: Cash Credit Term Loan	4.00 0.13	4.00 -	Long Term	BWR BB- (Pronounced as BWR BB-) Outlook: Stable	Rating Not Reviewed	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable (Downgraded)
Non Fund Based: Bank Guarantee	12.50	12.50	Short Term	BWR A4 (Pronounced as BWR A Four)		BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	16.63	16.50	INR Siixteen Crores and Fifty Lakhs Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Downgraded

Brickwork Ratings downgrades the long term rating and reaffirms the short term rating for bank loan facilities aggregating to Rs. 16.50 Crores of **Jai Mata Dee Construction ('**JMDC', or 'the firm')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Firm's audited financial results up to FY18 and publicly available information and the information/clarifications provided by the management.

The rating continues to derive strength from long experience of the partners for more than 2 decades in civil construction business and reputed clientele base. Further the firm has adequate manpower and fleet of construction equipment to support execution of on-going projects. However, the rating is constrained by steep decline in turnover in FY18, low net worth, weak liquidity position, high competition in the civil construction industry, delay in project execution and the inherent risks associated with Partnership constitution.

Going forward, the ability of the firm to increase its scale of operations & profit margin, to manage its working capital efficiently, to maintain comfortable capital structure, to sustain its order book position with order inflow & to execute its projects in a timely manner will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**
  - ➢ **Experience of Partners**: Currently the business operations are managed by managing partner Mr. Sanjay Kumar who is well supported by other partner Mr. Jitendra Kumar. The partner, Mr. Sanjay Kumar has over 2 decades of business management and business development experience in construction domain.
  - ➢ **Client Profile:** The firm mainly caters to government organisations like Rural Works Development, Bihar (RWD), Hindustan Prefab Ltd, Ircon International Ltd, etc.

- **Credit Risks:**
  - ➢ **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition resulting in low profitability
  - ➢ **Constitution as a firm:** Withdrawal of capital by the partners for any personal contingency would adversely affect the capital structure of the firm.
  - ➢ **Decline in Turnover:** The turnover of the firm has gone down from Rs. 74.17 crs in FY17 to Rs. 33.02 crs in FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes that **Jai Mata Dee Construction's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Jai Mata Dee Construction was established as proprietorship in 1979 by Mr. Sanjay Kumar. Subsequently in 1999 it was converted into Partnership Firm with introduction of Mr. Jitendra Kumar as partner. The firm is engaged into Civil Construction in the segments like roads, commercial buildings, industrial buildings, railways and bridges etc. for Government and semi Government entities in Bihar. The firm has an impressive clientele base which includes National Building Construction Corporation Ltd., Rural Works Department, Bihar (RWD), Rural Road Construction Department Bihar (RCD), Hindustan Prefab Ltd, and Ircon International Ltd etc. The firm mainly caters to clients and projects present in Bihar state.

Firm's Financial Performance:

As per the audited financials of FY18, the Firm has reported total operating income of ₹ 33.02 Crores against ₹ 74.17 Crores in FY17. The operating profit margin of the firm stood at 11.36% in FY18 as against 7.36% in FY17. Tangible Net Worth of the firm has improved from ₹ 6.81 crores in FY17 to Rs. 7.98 crs in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	11, March, 2019	08, Dec, 2017	2016
1.	**Fund Based**	Long Term	4.00	**BWR B+ (Pronounced as BWR B Plus) Outlook: Stable (Downgraded)**		**BWR BB- (Pronounced as BWR BB-) Outlook: Stable**	**NA**

2.	**Non Fund Based**	Short Term	12.50	**BWR A4 (Pronounced as BWR A Four) (Reaffirmed)**	**Rating Not Reviewed**	**BWR A4 (Pronounced as BWR A Four)**	**NA**
	Total		**16.50**	**₹ Sixteen Crores and Fifty Lakhs Only**			

Status of non-cooperation with previous CRA - CARE BB-; Stable/CARE A4; Issuer Not Cooperating due non availability of the required information.

Any other information

Key Financial Indicators

Key Parameters	**Units**	**2018**	**2017**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	33.02	74.17
EBITDA	₹ Cr	3.75	5.46
PAT	₹ Cr	1.24	2.57
Tangible Net worth	₹ Cr	7.98	6.81
Total Debt/Tangible Net worth	Times	1.84	2.58
Current Ratio	Times	0.64	0.91

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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