RATING RATIONALE

30 Sept 2020

Jayant K Furnishers

Brickwork Ratings revises the ratings for Long Term Bank Loan Facilities of ₹ 1.00 Crores & reaffirms the ratings for Short Term Bank Loan Facilities of ₹ 12.00 Crores of Jayant K Furnishers

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March, 2020)	Present
Fund based	1.00	1.00	Long Term	BWR B; Issuer Not Cooperating, Based on the best information available Stable	BWR B+ Stable [Upgrade]
Non Fund Based	12.00	12.00	Short Term	BWR A4, Issuer Not Cooperating, Based on the best information available	BWR A4 [Reaffirmation]
Total	13.00	13.00	INR Thirteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities is provided in Annexure-I

RATING ACTION : Long Term Ratings upgrade to BWR B+ (Stable) & Short Term Ratings reaffirmed at BWR A4 and removed from Issuer Not Cooperatin
RATING OUTLOOK : Stable

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Jayant K Furnishers(JKF or the entity) up to FY19, provisional financials of FY20, publicly available information, and information/clarifications provided by the company's management and its bankers to arrive at the present ratings

BWR believes that the business risk profile of **Jayant K Furnishers** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

The rating continues to draw strength from the track record of the entity and the longstanding experience of the partners in the interior decoration industry.

The rating is however constrained by declining revenues on account of delay in execution of orders which have been further delayed on account of Covid 19 and fluctuation of raw material prices. The ratings are further constrained on account of decline in the Tangible Net Worth level on account of withdrawal of capital by the partners, working capital intensive nature of operation as indicated by high GCA, and presence of the entity in a highly competitive and fragmented industry.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Partners -** The partners have a long standing presence in this industry of more than 3 decades. The entity has a reputed clientele base which includes DLF, Capgemini, Motilal Oswal, Godrej etc. Due to the long standing presence in the industry, the entity has established a long standing relationship with reputed architects and sub-contractors.
- **Relative Average Financial Risk Profile -** The firm has Moderate capital structure with comfortable Gearing level of 1.02X in FY19. Debt Protection metrics indicated by ISCR and DSCR which stood at 2.93X and 2.24X respectively in FY19. The current ratio stands moderate at 1.30X in FY19.
- **Improving Profit Margins -** The profit margins of the entity as indicated by the OPM & NPM have improved in FY19 and stand at 5.82% & 3.28% vis-a-vis 4.47% & 2.28% in FY18. The operating profit margins have further improved to 5.91% as per the provisional FY20 provided by the entity.

Credit Risks:

- **Limitations Relating To The Constitution Of The Entity -** Withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm. Limitations of Partnership constitution in terms of capital and management. Net worth of the firm has been volatile over three audited financial years.
- **Reducing Tangible Net Worth-** The entity has low Tangible Net worth at ₹7.29 crs in FY19 declining from ₹9.27 crs in FY18 further declining from ₹9.75 crs as at FY17 owing to withdrawal of capital by partners. The firm's moderate profitability and capital withdrawals have restricted any significant addition to reserves.
- **Declining Revenues -** The top line of the entity has been dropping over the past three years & current stands at ₹58.35 crs in FY20(Prv) declining from ₹69.18 crs in FY19 further declining from ₹73.67 crs as at FY18 owing to a fewer realization of work orders
- **Elongated Working Capital Cycle -** The working capital cycle as indicated by Gross Current Assets to Net Sales stood high at 66.88% in FY19 vis-a-vis 51.26% in FY18 driven largely by Receivables which have a high collection period.
- **Highly Competitive and Fragmented Industry -** The entity operates in a highly fragmented industry marked by the presence of a large number of players in the organised as well as unorganised sector. As entry barriers to the industry are low, the players in the industry are exposed to competition-induced pressures on pricing and profitability.
- **Impact Of Covid 19 Leading to a Delay in the Timely Execution Of Projects-** The outbreak of pandemic Coronavirus COVID-19 in the late March 2020 in India has triggered a complete lockdown in the country and given that this entire industry primarily relies on work being done on site (residential/ commercial), their entire logistics and operations have come to a grinding halt. There is no material or labour movement as all the skilled and unskilled manpower have returned to their respective hometowns which translates into zero progress in work. This is expected to affect the revenues in short to medium term

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities

Positive: The outlook may be revised to Positive if the company records significantly better-than-expected growth in revenues along with improvement in profitability levels and efficient working capital management, resulting in better debt coverage metrics and liquidity profile
Negative: The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.

LIQUIDITY POSITION: ADEQUATE

Liquidity profile of the company is adequate as reflected from the relatively moderate gearing ratio of 1.02X in FY19. The coverage ratios as reflected by ISCR & DSCR stand at 2.93X & 2.24X in FY19. The net cash accruals of the company stand at Rs 2.39 cr in FY19 (Rs 3.54cr as per Prv FY20)with cash and cash equivalents of Rs 0.39cr in FY19 (Rs 0.84cr as per Prv FY20) with a debt repayment obligation of Rs 0.35cr indicating the ability of the company to service its debt obligation. The cash & bank balance as on date stand at Rs 0.35cr. The company has reported a healthy current ratio at 1.30X in FY19. The average utilization for the period of December 2019-August 2020 stands at 52.70%.

COMPANY PROFILE

Jayant K Furnishers is a partnership firm established in 1981 by Mr. Khimji Ramji Soni and his family members. The firm is engaged in providing interior solutions and offers a wide range of services including interior contracts, civil and electrical works, plumbing and sanitation, painting, project management and other related solutions.

KEY FINANCIAL INDICATORS (in INR Crs)

On a provisional basis the entity has earned a revenue in tune of Rs 58.35cr with an EBITDA of Rs 3.45cr in FY20.

Key Parameters	Units	FY 19	FY 18
Result Type		**Audited**	**Audited**
Total Operating Income	₹ Cr	69.18	73.67
OPBDIT	₹ Cr	4.03	3.29
PAT	₹ Cr	2.27	1.68
Tangible Net Worth	₹ Cr	7.29	9.27
Total Debt/TNW	Times	1.02	0.69
Current Ratio	Times	1.30	1.28

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	16th, March, 2020	5th, March, 2019#	2018
Fund Based	Long Term	1.00	**BWR B+ Stable [Upgrade]**	**BWR B ; Issuer Not Cooperating Stable**	**BWR BB Stable**	-
Non Fund Based	Short Term	12.00	**BWR A4 [Reaffirmation**	**BWR A4; Issuer Not Cooperating**	**BWR A4**	-
Total		13.00	**INR Thirteen Crores Only**			

#Company transferred to Ratings Not Reviewed on 6th March 2020

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- Manufacturing Companies
- Approach To Financial Ratios
- Infrastructure Sector

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Jayant K Furnishers

ANNEXURE I

Details of Bank Facilities rated by BWR

<table>
<tr><th>Sl. No.</th><th>Name of the Bank</th><th>Type of Facilities</th><th>Long Term (₹ Cr)</th><th>Short Term (₹ Cr)</th><th>Total (₹ Cr)</th></tr>
<tr><td>1)</td><td rowspan="2">Oriental Bank Of Commerce</td><td>Cash Credit</td><td>1.00</td><td>-</td><td>1.00</td></tr>
<tr><td>2)</td><td>Bank Guarantee</td><td>-</td><td>12.00</td><td>12.00</td></tr>
<tr><td colspan="5">TOTAL</td><td>13.00</td></tr>
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Total Rupees Thirteen Crores Only.

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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.