

M/s. Amritlal Jain Contractor

January 03, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.25	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	5.25 (₹ Five Crore and Twenty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

M/s. Amritlal Jain Contractor (AJC) has not paid surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd. ratings on M/s. Amritlal Jain Contractor's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large are hence requested to exercise caution while using the above rating.

The ratings assigned to the bank facilities of AJC take into consideration its modest scale of operations and profitability, moderate capital structure and debt coverage indicators coupled with stretched liquidity position during FY22 (Audited - refers to period from April 1 to March 31). The ratings are further constrained on account of increasing competitive pressure in industry and volatility in input prices however, price escalation clause present in many of the contracts along with its cyclical nature of the industry and risk inherent due to tender driven nature of business. The ratings, however, derive strength from experienced partners.

Detailed description of the key rating drivers

Key Rating weakness

Modest scale of operations and profitability

Scale of operations improved and remained at Rs.15.31 crore during FY22 as against Rs.8.37 crore during FY21. Profitability margins deteriorated however remained moderate marked by PBILDT margin of 12.71% during FY22 as against 16.49% during FY21. PAT margin remained in similar lines at 4.72% during FY22 as against 4.92% during FY21.

Moderate capital structure and debt coverage indicators

Capital structure deteriorated and remained moderate marked by gearing ratio of 1.23 times as on March 31, 2022 as against 0.90 times as on March 31, 2021. Debt coverage ratio remained moderate marked by interest coverage ratio of 2.82 times during FY22 as against 2.49 times during FY21. TDGCA remained moderate at 6.82 years as on March 31, 2022 as against 7.14 years as on March 31, 2021.

Susceptibility of profit margins to volatility in raw material price however, price escalation clause present in many of the contracts

Major raw material for the firm are bitumen, cement, steel, black trap etc. whose prices are volatile in nature. Also, for raw materials like sand, concrete, fly ash, dust, lime powder, carbon stone etc., there is presence of volatility in mines royalties in addition to price volatility. Hence, any adverse movement in these prices can put pressure on the profit margins of the firm. However, the firm has price escalation clause in majority of the contracts.

Risk inherent due to tender driven nature of business

AJC works on various types of tenders such as new road construction, repair and maintenance of the same and widening work. The firm mostly executes the tenders for Gujarat Government. This parameter emerges as an inherent risk to the business as Government issues tenders as per their requirement and this does not provide assurance for continuous flow of work.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Increasing competitive pressure coupled with cyclical nature of the industry

AJC operates in highly fragmented and competitive road construction industry having presence of large number of medium sized players. Also, the presence of big sized players with established track record and network results into intense competition in the industry. Again, the fortune of the industry is linked to the condition of economy and fiscal policy of government, which is inherently cyclical in nature. These factors limit the pricing flexibility and bargaining power of AJC and put pressure on profitability.

Key Rating Strengths

Experienced directors and established track record of the firm

Directors of the firm have more than two decades of average experience in same line of business. Due to the vast experience and history of successful completion of many projects, the directors have developed good reputation in the market as well good relationship with its suppliers and customers.

Liquidity: Stretched

Liquidity remained stretched marked by GCA of Rs.1.27 crore during FY22 as against Rs.0.83 crore during FY21. Cash and bank remained low at Rs.0.02 crore during FY22 as against Rs.0.04 crore during FY21. Net cash flow from operating activity remained negative at Rs.0.08 crore during activity as against negative Rs.0.08 crore during FY21. Operating cycle remained elongated at 63 days during FY22 as against 41 days during FY21

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

[Policy on Withdrawal of Ratings](#)

About the Firm:

Harda (Madhya Pradesh) based Amritlal Jain Contractor (AJC) is a partnership firm established by Mr. Rajeev Kumar Amritlal Jain, Mr. Sargam Amritlal Jain, Mrs. Sadhna Rajeev Jain, Mrs. Jyoti Sanjay Jain, Mrs. Sema Sargam Jain and Mr. Mayank Rajeev Jain, which is engaged into road construction services. AJC secures its major portion of tenders through open bidding from Government of Madhya Pradesh. The firm is registered as approved contractor with Public Works Department (PWD) of Govt. of Madhya Pradesh. The firm has successfully completed various road construction projects majorly in Madhya Pradesh.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23* (Prov.)
Total operating income	8.37	15.31	NA
PBILDT	1.38	1.95	NA
PAT	0.41	0.72	NA
Overall gearing (times)	0.90	1.23	NA
Interest coverage (times)	2.49	2.82	NA

A-Audited; Prov.-Provisional; NA- Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this Firm: Please refer Annexure-4

Banker/Lender details of the Firm: Please refer Annexure 5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	2.25	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (01-Nov-21)	1)CARE BB-; Stable (08-Sep-20)	-
2	Non-fund-based - LT/ST-Bank Guarantee	LT/ST*	2.25	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (01-Nov-21)	1)CARE BB-; Stable / CARE A4 (08-Sep-20)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable**Annexure 4: Complexity level of various instruments rated for this Firm**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Firm

To view the lender wise details of bank facilities please click here
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Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

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