J.S. Grover Constructions Private Limited

February 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10.00	CARE B-; Stable; ISSUER NOT COOPERATING*	Revised from CARE B; Stable (Single B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking No Default statement from J.S. Grover Constructions Private Limited (JSGCPL) to monitor the ratings vide various e-mail communications dated January 30, 2023, January 18, 2023, January 16, 2023 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on J.S. Grover Constructions Private Limited's bank facilities will now be denoted as **CARE B-; Stable; 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 rating assigned to J.S. Grover Constructions Private Limited (JSGCPL) takes into account the constraints relating to small scale of operations, elongated collection period, leveraged capital structure and weak debt coverage indicators. Further, the ratings remain constraint by project execution risk inherent in various contracts, risk associated with participating in tenders and intense competition in the industry. The ratings, however, draw comfort from experienced promoters coupled with long track record of operations and moderate profitability margins.

Analytical approach: Standalone

Key Weaknesses

Small scale of operations

The company is a small regional player involved in executing civil construction contracts from government entities. The ability of the company to scale up to larger-sized contracts having better operating margins is constrained by its comparatively low net worth base of Rs. 0.07 crore as on March 31, 2022 and total operating income of Rs 2.76 crore in FY22. The small scale of operations in a fragmented industry limits the pricing power and benefits of economies of scale.

Elongated collection period

Due to the nature of the project and counter party being government entities, JSGCPL has high receivable outstanding as on March 31, 2022. The same is reflected by collection period of 313 days in FY22. Also, a large part of the receivable is pending from long term due to tight liquidity position with the counter party. The high receivable along with long gestation period in recovery of the same put pressure on the liquidity position of the company leading to full utilization of working capital limits.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company stood leveraged as marked by overall gearing and debt equity of 135.13x and 85.23x respectively in FY22 as against 0.50x and 0.50x respectively in FY21 owing to high reliance on external borrowings and unsecured loan from the promoters against relatively small tangible networth. Further, owing to high debt levels, the debt service coverage indicators of the company stood weak marked by Interest coverage and Total Debt/GCA of 1.80x and 87.85x respectively, in FY22 as against 33.84X and 1.92X respectively, in FY21.

Project execution risk inherent in various contracts

Given the nature of tender awarded, the company is exposed to inherent risk in terms of delays in tender undertaken by the company due to delay in approvals and sanction from regulatory bodies, land acquisition issues etc. thus exposing JSGCPL towards the risk of delay in tender execution resulting in a delay in the realization of revenue growth. Also, the company's ability to execute

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

a tender in timely manner led by its own operational efficiency and timely stage payments received from clients exposes the company to potential risk.

Risk associated with participating in tenders and intense competition in the industry
The company majorly undertakes government projects, which are awarded through the tender-based system. The tender-based business is characterized by intense competition and the growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. The high concentration on government contracts also makes the company susceptible to any changes pertaining to government policy in regard to awarding tenders to contractors.

Key Strengths
Experienced promoters coupled with long track record of operations
The company is being managed by its directors Mr. Sunil Grover and his brother Mr. Sanjay Grover. Mr. Sunil Grover is post graduate and is in the same line of business for around three and a half decades. Mr. Sanjay Grover is also post graduate and have an experience of around four decades in the same industry. Both the promoters are into same line of business since inception and managing the day-to-day affairs of the business. With vast experience, both the promoters have established relations with reputed customer base as well as suppliers of the domain. The promoters are also partners in associate concern J. S. Grover Constructions, partnership firm incorporated in 2010 and engaged in civil construction work since inception.

Moderate profitability margins
The company's profitability margins stood moderate as marked by PBILDT and PAT margin of 9.35% and 1.01%, respectively in FY22 as against 1.03% and 0.56% respectively in FY21.

Liquidity analysis: Stretched
The liquidity position of the company is stretched characterized by low cash and bank balance of Rs. 0.92 crore as on March 31, 2022. Further, the current and quick ratio stood at 1.98 and 1.76 times, respectively as on March 31, 2022.

Applicable criteria

Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Construction

About the company

J.S. Grover Constructions Private Limited (JSGCPL) was incorporated in 2018. The company is based in Pathankot (Punjab) and engaged into civil construction work such as construction of Roads, highways and so on. The company undertakes construction, improvement, widening, and straightening of roads for government departments, primarily on a subcontract basis. The company is promoted by its directors Mr Sunil Grover and his brother Mr Sanjay Grover. Both the directors are into similar line of business since inception. The promoters are also partners in associate concern J. S. Grover Constructions, partnership firm incorporated in 2010. J. S. Grover Constructions is also engaged in civil construction work since inception.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	10MFY23*
Total operating income	2.18	2.76	NA
PBILDT	0.02	0.26	NA
PAT	0.01	0.03	NA
Overall gearing (times)	0.50	135.13	NA
Interest coverage (times)	33.84	1.80	NA

A: Audited, NA: Not Available
**refers to the period from April 1, 2022 to January 31, 2023.*

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 the rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure 4

Lender details: 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-Cash Credit		-	-	-	10.00	CARE B-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the 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-Cash Credit	LT	10.00	CARE B-; Stable; ISSUER NOT COOPERATING*	1)CARE B; Stable (04-Apr-22)	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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 us:
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