

## Emjay Constructions

October 04, 2022

### Rating/Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	25.00	CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable/ A Four )	Reaffirmed
<b>Total Bank Facilities</b>	<b>25.00</b> <b>(₹ Twenty-Five Crore Only)</b>		
Issuer Rating	-	-	Withdrawn
<b>Total Instrument</b>	<b>0.00</b> <b>(₹ Only)</b>		

Details of facilities in Annexure-1.

### Detailed Rationale and Key Rating Drivers

CARE Ratings Ltd. had placed the outstanding Issuer ratings assigned to Emjay Construction on 'Notice of Withdrawal' for a period of ninety days. Upon the expiry of the said notice period of ninety days, the ratings of the CARE BB (IS)[Double BB (Issuer Rating)] stands withdrawn with immediate effect. CARE Ratings reaffirms the ratings assigned to Bank facilities of Emjay Construction. The rating assigned to bank facilities of Emjay Constructions [Emjay] are constrained by moderate scale of operations, geographically concentrated nature of operations and client concentration risk, constitution of the entity as a partnership concern and fragmented & competitive nature of the construction sector. The rating however, derives strength from experienced and resourceful promoters, long and established track record of operations and growth in scale of operations on the back of a comfortable order book position.

### Rating Sensitivities

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any delays in project execution impacting the financial performance of the entity
- Continuous decline in order book position

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Growth in the scale of operations marked by increase in total operating income beyond Rs. 300 crore and improvement in order book position on sustained basis
- Improvement in PBILDT margin to 8% on TOI on sustained basis

### Detailed description of the key rating drivers

#### Key Rating Weakness

**Geographic and client concentration:** Emjay undertakes port and harbour projects mainly for Government departments like Fisheries department, Maritime board etc. in Tamil Nadu. Though the entity executes few projects in Gujarat and Karnataka, the operations are mainly in Tamil Nadu, which increases geographical concentration risk. The firm has been executing orders for government departments like Tamil Nadu Public Works Department, Tamil Nadu Fisheries Department, Chennai port Trust, V.O. Chidambaranar Port Trust Tuticorin, Railways and Gujarat Maritime board, Ports and fisheries Division Karnataka etc. and has long established relationship.

**Constitution of the entity as a partnership concern:** The constitution of the entity as a partnership firm is associated with inherent risks such as withdrawal of capital by promoters, insolvency of the promoter etc. Currently, the key business functions are managed by the promoter (Mr. K. Murugesan), who are ably supported by experienced professionals.

**Fragmented and competitive nature of the construction sector; albeit, improving growth prospects:** All the projects of Emjay are tender-based and the revenues are dependent on the company's ability to bid successfully for these tenders. The civil construction industry is highly fragmented and competitive in nature with many players leading to aggressive biddings. The sector is also marred by various other challenges on account of economic slowdown and regulatory changes which have adversely impacted the financial and liquidity profile of players in the industry. However, the Government's continuous thrust on the infrastructure projects is likely to benefit the construction companies. The focus of the government on infrastructure development is expected to translate into business potential for the construction industry in the long run. Further, Construction sector is inherent to challenges like fluctuation in input prices, cost overruns in the delayed projects, additional working capital requirement arising from delay in realization from clients.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Key Rating Strengths

**Experienced promoters with established track record of operations:** Emjay is promoted by Mr. K. Murugesan who has an overall experience of four decades in the construction business through his firm Emjay and prior engagements in civil construction industry. Furthermore, he is supported by a team of experienced and qualified professionals having varied experience in technical, finance and marketing fields. Emjay has an established track record of 27 years in the civil construction work which has enabled the firm to establish relations with its customers mainly government departments. Since its inception the firm has executed more than 25 projects across Tamil Nadu, one project in Gujarat and two projects in Karnataka.

**Comfortable order book position:** The firm has outstanding orderbook position of Rs. 284 cr as on May 13, 2022. The current orderbook of the firm is ~1.3 times the TOI of FY22. The orders need to be completed in next 1-2 years providing medium term revenue visibility, however the orderbook is concentrated with two projects contributing nearly 65% of the total outstanding order value as on May 13, 2022.

**Liquidity:** Stretched

The trade receivables as on March 31, 2022 was Rs. 12.86 cr due to the retention money held by clients which has pushed the current ratio to 2.58x on March 31, 2022 as against 1.66x on March 31, 2021. The average collection period stood at 11 days and creditors period stood at 7 days for FY22. The firm had free cash and bank balances of Rs.6.63 cr on March 31, 2022.

**Analytical approach:** Standalone

### Applicable Criteria:

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

[Policy on Withdrawal of Ratings](#)

### About the Company

Emjay is a partnership firm incorporated in October 1995. Emjay is promoted by Mr. K. Murugesan and is engaged in Civil and Mechanical construction contracts especially in the Marine space (ports and harbors). The Firm has a registered office in Chennai and currently undertakes projects in Tamil Nadu and Gujarat, mainly for construction of fish landing centers and harbors and port related works.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022(Prov.)	Q1 FY23 (A)
Total operating income	176.29	206.45	NA
PBILDT	10.41	12.55	NA
PAT	9.36	8.25	NA
Overall gearing (times)	0.21	0.32	NA
Interest coverage (times)	9.27	33.53	NA

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating history for the last three years:** Please refer Annexure-2

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

**Complexity level of various instruments rated for this company:** Annexure-4

**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
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	25.00	CARE BB; Stable / CARE A4
Issuer Rating-Issuer Ratings		-	-	-	0.00	Withdrawn

**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	Issuer Rating-Issuer Ratings	Issuer rat	-	-	1)CARE BB (Is); Stable (14-Jun-22)	1)CARE BB-(Is); Stable; ISSUER NOT COOPERATING* (05-Apr-21)	1)CARE BB (Is); Stable (06-Apr-20)	1)CARE BB (Is); Stable (11-Apr-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	25.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (16-Jun-22)	-	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

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

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on 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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