

## Jindal Infrastructure

January 22, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	11.00	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen Crore Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Jindal Infrastructure (JI)** to monitor the rating vide e-mail communications/letters dated January 04, 2021, January 07, 2021 and January 12, 2021 and numerous phone calls. However, despite our repeated requests, the entity 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 publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, **Jindal Infrastructure** has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on JI's bank facilities will now be denoted as **CARE C; Stable; ISSUER NOT COOPERATING** and **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 ratings.**

### Detailed description of the key rating drivers

At the time of last rating in December 30, 2019 the following were the rating strengths and weaknesses:

#### Key Rating Weaknesses:

**Small scale of operations:** JI is a relatively small player in the construction industry marked by its total operating income of Rs.42.98 crore with a PAT of Rs.2.48 crore in FY18, Provisional. The net worth base and total capital employed was low at Rs.4.78 crore and Rs.21.60 crore, respectively, as on March 31, 2018. During 8MFY19, the firm has booked turnover of Rs.22.87 crore.

**Working capital intensive nature of business and exposure to volatility in input prices:** The major input materials for the firm are bitumen, asphalt, murrum, stone chips and metals, the prices of which are volatile. Further the orders executed by the firm does not contain price escalation clause and thus the firm remains exposed to the price volatility of the input materials. This apart, any increase in labour prices will also impact its profitability being present in a highly labour intensive industry. The operations of the firm remained working capital intensive as the firm executes orders mainly for public sector units.

**Client concentration risk albeit reputed clientele:** JI executes orders mainly for various public sector units like PWD, Irrigation Department, etc. and earns revenue of about 80%-90% of its total operating income from the above clients which exposes it to client concentration risk. However, the firm has long standing relationship with these clients for more than a decade which offsets the risk to some extent. Further the clients of the firm are reputed government players and hence, default risk is minimal. However, the firm currently does not have any work order in hand.

**Partnership nature of constitution:** JI, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Furthermore, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

**Leveraged capital structure with moderate debt coverage indicators:** The capital structure of the firm remained leveraged marked by overall gearing ratios at 3.52x as on March 31, 2018. The debt coverage indicators also remained moderate marked by interest coverage ratio of 2.89x and total debt to GCA of 4.41x during FY18, Provisional.

**Intense competition and tender driven process risk:** The firm has to bid for the contracts based on tenders opened by the various public sector units. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The firm receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Apart from this, present sluggish economy is also having a negative bearing on the construction sector which may also hinder the growth of the firm. Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry.

### Key Rating Strengths

**Experienced partner with long track record of operations:** The firm is into civil construction business since 2009 and thus has a track record of operations of around nine years. Due to long track record of operations the firm has established satisfactory relationship with its clients. Furthermore the partners; Mr. Mukesh Kumar Agrawal has around two decades of experience in civil construction business and he looks after the day to day operations of the firm. He is supported by other partner Mr. Vishnu Prasad Agrawal along with a team of experienced professionals.

**Satisfactory profitability margins:** The profitability margins of the firm remained satisfactory marked by operating margin of 13.56% (19.76% in FY17) and PAT margin of 5.76% (6.36% in FY17) in FY18, Provisional.

**Analytical approach:** Standalone

#### Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology – Construction Sector](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### About the Entity

Jindal Infrastructure (JI) was established as a partnership firm in 2009 by Mr. Mukesh Kumar Agrawal and Mr. Vishnu Prasad Agrawal based out of Chhattisgarh. Since its inception, the firm has been engaged in civil construction activities in the segment like construction of buildings, bridges, roads, etc. The firm is classified as A5 class contractor by Public Works Division, Chhattisgarh which indicates that the firm can participate for higher value contracts released by government departments. JI participates in tenders and executes orders for the Public Works Department (Chhattisgarh), Irrigation Department, etc.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	20.46	42.98
PBILDT	4.04	5.83
PAT	1.30	2.48
Overall gearing (times)	7.67	3.52
Interest coverage (times)	2.39	2.89

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Non-cooperation from India Ratings as per press release dated December 23, 2019 due to non-submission of information by the entity.

**Any other information:** Not Applicable

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

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	11.00	CARE C; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	11.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (30-Dec-19) 2)CARE B; Stable; ISSUER NOT COOPERATING* (14-Oct-19)	1)CARE B+; Stable (19-Dec-18)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Dec-19) 2)CARE A4; ISSUER NOT COOPERATING* (14-Oct-19)	1)CARE A4 (19-Dec-18)	-

\*Issuer did not cooperate; Based on best available information

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

## Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### **About CARE Ratings:**

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