Jaidhar Constructions
March 16, 2020

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long-term Bank Facilities	5.59	CARE B+; Stable; ISSUER NOT CO-OPERATING* (Single B Plus; Outlook :Stable) Issuer Not Cooperating	Issuer not cooperating: Revised from CARE BB-; Stable On the basis of best available Information*
Short-term Bank Facilities	0.80	CARE A4: ISSUER NOT COOPERATING* (A Four Issuer Not Cooperating)	Issuer not cooperating: Based On the best available Information*
Total Facilities	**6.39 (Rupees Six Crore and thirty nine Lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Jaidhar Constructions to monitor the rating vide e-mail communications dated December 2019 to February 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Jaidhar Constructions bank facilities will now be denoted as **CARE B+; 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.

Detailed description of the key rating drivers

At the time of last rating on April 08, 2019 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operation and thin PAT margin

Despite of presence of the firm for 13 years, the scale of operations of the firm remained small marked by a total operating income (TOI) of Rs.15.86 crore in FY18 and tangible networth of Rs. 4.48 crore as on March 31, 2018 as compared to other peers in the industry.

The PAT margin has been declining Y-o-Y and remained thin during the review period i.e., from 1.04% in FY16 to 0.53% in FY18 mainly on account of increase in interest expenses and depreciation provisions despite of healthy growth in operating profit as the entity has purchased new plant & machinery and vehicles for business purpose.

Working capital intensive nature of operations due to elongated collection days

JC manufactures Ready Mix Concrete (RMC) in the two batch plants located in Medchal district and transports the same to the construction site. The firm procures aggregates (i.e. sand, gravel etc) from local suppliers and the cement is procured from Orient Cement and Vasavi Dutha located in and around Karimnagar, Telangana. The firm has to make 100% of advance payment for the purchase of Cement whereas 30-60 days of credit period is availed from other suppliers. Further, the firm allows a credit period of 15-30 days to its customers, however the collection days of the firm remained elongated during the review period as the firm extends the credit period to some of its customer to maintain the long term relationship with its existing customers and attracting new customers. The average inventory is stocked for around 15-20 days due to consistency constraints. Hence, the operating cycle also stood at 60 days as of FY18. The average working capital utilization of the firm stood at 98% for the last 12 months ended February 28, 2019.

Highly fragmented and competitive business segment due to presence of numerous players and association of profits to the real estate industry

The firm is engaged into a fragmented business segment and competitive industry. The market consists of several small to medium-sized firms that compete with each other along with several large enterprises. There are several small sized firms in and around Medchal District, Telangana which compete with JC.

The end product of JC finds its application in the construction industry. And hence the business risk profile of JC is directly linked to that of the construction and real estate sector.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
Issuer didn't cooperate; based on best available information

Constitution of a partnership concern with risk of withdrawal of capital
The firm was established as a partnership concern and the risk of withdrawal of partner's capital prevails. There is parity between the existence of the firm and the life of the partners.

Key Rating Strengths
Long track record and Experience of the managing partner in cement industry for more than two decades
JC was established in the year 2006 as a partnership firm by Mr. N Chandra Shekar Rao along with his wife Mrs. N Rukmini Devi as partners. Mr. N Chandra Shekar Rao, the Managing partner, who manages the various departments such as HR, Financial, Sales & Marketing etc., he is graduate by qualification, has more than two decades of experience in construction industry as he is one of directors in "M/s. Kasinath Metals Private Limited" which is engaged in the business of Stone Crushing Mrs. N Rukmini Devi (W/o Mr. N Chandra Shekar Rao), is also a graduate by qualification and has experience in construction business.

Growth in total operating income and satisfactory PBILDT margin
The total operating income of the firm increased at Compounded Annual Growth Rate (CAGR) of 26.89% during FY16-FY18. The scale of operations marked by total operating income increased from Rs.9.85 crore in FY16 to Rs.15.86 crore in FY18 due to increase in order execution and increase in price per cubic meter along with favorable market conditions, coupled with better production, resulted in growth in total operating income during the review period. Also, the firm has achieved turnover of Rs.17.66 crore during 11MFY19 (April 2018- February 2019). The PBILDT margin of JC has been fluctuating in the range of 11%-16% during the review period on account of fluctuation in other manufacturing and selling expenses, despite of increase in scale of operations, however remained satisfactory.

Satisfactory debt coverage indicators
The debt coverage indicators marked by total debt /GCA stood comfortable at 4.54x as on March 31, 2018, however, deteriorated from 3.68x as on March 31, 2016 on account increase in total debt levels as the firm availed new secured loans for the purchase of construction equipment and vehicles, despite of healthy growth in cash accruals during review period. Due to aforementioned reason, the interest coverage ratio although deteriorated from 3.57x in FY16 to 2.77x in FY18 stood satisfactory. The Total debt/CFO stood at 2.93x on account of increase in operating profits along with increase in sundry debtors and creditors as on closing balance sheet date.

Moderate capital structure
Financial risk profile marked by debt equity remained below unity during the review period and stood at 0.89x as on March 31, 2018. However, the overall gearing stood modest at 1.50x as of March 31, 2018 and deteriorated from 0.64x as on March 31, 2016. The firm has availed secured loan for the purchase of construction equipment and vehicles. Also, with an increase in the operations, the working capital requirement also increased during FY18, which resulted in increase in total debt.

Analytical Approach : Standalone

Applicable criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

About the Company
Jaidhar Constructions (JC) was established as a partnership concern by Mr. N Chandra Shekar Rao along with his wife Mrs. N Rukmini Devi in November 2006. The promoters are also the directors of "M/s. Kasinath Metals Private Limited" which is engaged in the business of Stone Crushing. During the initial two year of operations (2006-2008) the firm is engaged in the business of Supply of construction material. Whereas in the year 2008, upon establishment of a plant at Keesara Mandal, the firm started manufacturing of Ready Mix Concrete (RMC) and cement Bricks which finds its application in the construction sector. The firm has two plants located in Medchal(manufacturing of RMC and Cement Bricks) and one plant at Bupalpally(Job work), Telangana and 44 vehicles operating for transportation of RMC to the construction site. The customers of JC include construction companies, contractors and real estate developers. The installed capacity of JC stood at 20,000 cubic meter per month of each plant located at Medchal District with actual production of 5000 cubic meter per month as of March 13, 2019. PC has around 135 employees working in the batch plants. The firm sells RMC in its own brand name, 'JRMC '. JC has obtained a ISO 9001:2008 Certification and meets RMC Capability Certification from the Quality council of India (QCI). The registered office of the firm is located in Secunderabad, Telangana. The firm generates 45% of the revenue through brick manufacturing and the balance 55% through Sale of RMC.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total operating income	12.75	15.86
PBILDT	2.01	2.38
PAT	0.08	0.08
Overall gearing (times)	1.38	1.50
Interest coverage (times)	2.86	2.77

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (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-Term Loan	-	-	March-2024	3.09	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	2.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.09	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	1)CARE BB-; Stable (08-Apr-19)	-	-	-
2.	Fund-based - LT-Bank Overdraft	LT	2.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	1)CARE BB-; Stable (08-Apr-19)	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (08-Apr-19)	-	-	-

**Issuer did not cooperate; based on best available information*

***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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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