

**Jangam Infratech Private Limited**  
**March 27, 2019**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	10.00	<b>CARE BB-; Stable</b> [Double B Minus; Outlook: Stable]	<b>Assigned</b>
Short-term Bank Facilities	20.00	<b>CARE A4</b> [A Four]	<b>Assigned</b>
<b>Total facilities</b>	<b>30.00</b> (Rs. Thirty crore only)		

*Details of facilities in Annexure-I*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to bank facilities of Jangam Infratech Private Limited (JIPL) is tempered by limited track record of operations with small scale of operations, client concentration risk and working capital intensive nature of operation. The ratings, however, derives strength from experienced management, moderate financial risk profile during FY18 (refers to the period April 1 to March 31), moderate order book reflecting medium term revenue visibility, healthy growth in total operating income during FY16-FY18, moderate profitability margin, escalation in input price and stable industry outlook. Going forward the ability of company to improve the total operating income, diversify the client base and manage its working capital efficiently remains key rating sensitivities.

**Key rating weaknesses****Working capital intensive nature of operations**

JIPL operates in a business which is highly working capital intensive. The operating cycle of the company has remained high at 93 days in FY18 (43 days in FY17). Average collection period of the company were moderately high at 129 days during FY18 (140 days in FY17) on account of delayed payments from GJSIPL. The average creditor period during FY18 was at 96 days (107 days during FY17). The average inventory days increased from 10 days during FY17 to 60 days as delay in FY18 as the company has procured construction material during March 2018 for execution of orders during Q1FY19.

**Limited track record with small scale of operations**

JIPL (formerly known as Sri Saphthagiri Infratech Private Limited) was incorporated on February 23, 2010 and promoted by Mr. Vijay Kumar Makthala along with Ms. Shobha Rani Aravandi. During FY17, SSIPL changed its name to current nomenclature and post to that the business operations are handled by Ms. Pavani Ippili and Mr. Joseph Charles. Although the company was incorporated in 2010, the scale of operations have remained small and the track record under the current management is limited. The scale of operations during FY18 remained small at Rs 27.14 crore during FY18 and networth was Rs. 3.20 crore as on March 31, 2018.

**Key rating strengths****Moderate financial risk profile**

The financial risk profile of JIPL remains moderate with overall gearing at 1.31x as on March 31, 2018 which has improved from 2.06x as on March 31, 2017 on account of accretion of profits to the net worth. Further, the overall gearing improved to 0.65x as on December 31, 2018 on account of repayment of Rs 1.39 crore of unsecured loan. The debt coverage indicators of the company were comfortable during FY18. The total debt to GCA during FY18 was 3.39x in FY18 (3.69x in FY17).

**Experienced management**

JIPL is managed and run by Ms. Pavani Ippili (Managing Director) an MBA graduate who has more than a decade of experience and is actively involved in day-to-day operations. She is ably supported by Mr. Charles Joseph (Director) an engineering graduate with vast and wide business experience in real estate, construction and project management.

**Moderate order book reflecting medium term revenue visibility**

The company started its operation in 2010 with primary focus on civil construction works, however during the last 9 years it has diversified into various segments such as Telecommunication industry, mining etc. JIPL has an outstanding order book of Rs. 265.59 crore as on June, 2018 indicating satisfactory order –book to net sales ratio of 9.55x. The said order book provides revenue visibility for short term to medium term. JIPL's entire order book consist of sub-contracted work from GJSIPL and the current outstanding order book is primarily concentrated with sub –contracted work related to Greater Hyderabad Municipal Corporation (GHMC) which is about 57.91%.

**Healthy growth in total operating income and improvement in profitability margin**

The scale of operations of JIPL as indicated by total operating income (TOI) has exhibited improvement trend in last three financial years ended FY18. TOI of the company has improved by 229% to Rs. 23.92 crore in FY17 from Rs.7.27 crore in

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

FY16 owing to increase in sub-contract work from GJS Infratech Private limited (GJSIPL) and the same has improved by 11% to Rs.27.14 crore in FY18. JIPL profitability margin stood moderate during FY18 with PBILD margin and PAT margin of 6.97% and 4.55% respectively (6.78% and 4.59% during FY17).

#### Stable Industry Outlook

Construction & Infrastructure sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. The Planning Commission has estimated that an investment of about \$492 billion will be required for the infrastructure sector during the Eleventh Five Year Plan mainly routed through public investments. This will provide immense opportunities to construction companies to expand existing capacities and harness project management expertise. Going forward, the construction sector is expected to grow with growth in the real estate sector enhanced by Government of India's Housing for All by 2022' and 'Smart City 'mission.

**Analytical approach:** Standalone

#### Applicable criteria –

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short term Instruments

Financial ratios – Non-Financial Sector

#### About the company

Jangam Infratech Private Limited (JIPL) (formerly known as Sri Sathagiri Infratech Private Limited) was incorporated on February 23, 2010 and promoted by Mr. Vijay Kumar Makthala along with Ms. Shobha Rani Aravandi. During FY17 SSIPL changed its business name as JIPL and the same was registered with ROC, Hyderabad on March 31, 2017. Ms. Pavani Ippili is currently the managing director and has more than a decade experience and drives management and operations of JIPL. JIPL is engaged in the business of mining, infrastructure development and execution of Engineering, Construction facilities in various projects like housing, Hospitals, Buildings, Urban infrastructure etc for Central/State Governments, other local bodies and private sector. In recent past and currently JIPL is engaged with sub-contracting work of GJS infratech Private Limited. JIPL holds 14% of shares in GJS infratech Private Limited and does sub-contract for them.

#### Financial Performance

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	23.92	27.14
PBILD	1.62	1.89
PAT	1.10	1.24
Overall gearing (times)	2.06	1.31
Interest coverage (times)	NM	NM

# NM – Not Meaningful

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Annexure 2

**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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#### 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	-	-	-	10.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	20.00	CARE A4

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

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Proposed (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; Stable	-	-	-	-
2	Non-fund based -ST-Bank Guarantees	ST	20.00	CARE A4	-	-	-	-

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