

Jampana Constructions Private Limited

Instrument	Amount (Rs. Crore ¹)	Rating Action
Long Term-Term Loan	7.0 (reduced from 8.5)	[ICRA]BB+(Stable) re-affirmed
Long Term - Fund Based- Cash Credit	14.0 (enhanced from 12.0)	[ICRA]BB+(Stable) re-affirmed
Short Tem– Non Fund Based- BG	94.0 (enhanced from 82.0)	[ICRA]A4+ re-affirmed
Long Term/Short Term - Unallocated	1.5 (enhanced from nil)	[ICRA]BB+ (Stable)/ [ICRA]A4+ assigned

ICRA has reaffirmed the long term rating of [ICRA]BB+ (pronounced ICRA double B plus) assigned to the Rs. 14 crore (enhanced from Rs.12 crore) fund based facility and Rs. 7 crore (reduced from Rs. 8.5 crore) term loan facility of Jampana Constructions Private Limited. ICRA has also reaffirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs.94.0 crore (enhanced from Rs.82.0 crore) non fund based facility of Jampana Constructions Private Limited (JCPL).). ICRA has also assigned long term rating of [ICRA]BB+ (pronounced ICRA double B plus) and short term rating of [ICRA]A4+(pronounced ICRA A four plus) to the Rs. 1.5 crore (enhanced from nil) unallocated limit of JCPL. The outlook on the long-term rating is 'Stable'.

The reaffirmation of the ratings take into account the established track record of operations of the company, the extensive experience of the promoters and key professionals in the civil construction industry and the company's reputed and established customer base with low counterparty risk as most of the customers are state government bodies. The ratings also factor in the healthy growth in the revenues during FY2016 aided by completion of orders in hand and the revenue visibility over the medium term as reflected by an outstanding order book position of ~Rs. 275 crore as on 30th September, 2016 (1.3x of FY2016 revenues). The ratings also draw comfort from the comfortable capital structure, adequate debt coverage indicators and relatively low scheduled repayment obligations in the short to medium term. The ratings also factor in the comfortable liquidity position of the company due to efficient management of debtor and inventory levels and sizable creditors funding leading to low working capital requirements.

The ratings are, however, constrained by the intensely competitive and fragmented nature of the construction industry resulting in modest profitability; the margins are further vulnerable to adverse variations in raw material prices given the significant proportion of fixed price contracts in JCPL's order book. The ratings also take into account the concentration risks arising out of limited geographic presence with operations centered in Karnataka, along with significant dependence on few key clients. Thus, any delay in execution of the contracts, or in realization of dues from customers, or in release of retention money, or lower creditor funding may impact the liquidity position of the company with majority of the investments in non-core businesses like land property, which are relatively illiquid in nature.

Going forward, the company's ability to secure new orders and execute the orders in hand in a timely manner while maintaining the profitability and efficiently managing its working capital requirements would be the key rating sensitivities. Also, the quantum of incremental cash accruals utilized towards investment or advance to group companies and its impact on the company's liquidity would also be a rating sensitivity.

About the company

Incorporated in 2003, Jampana Construction Private Limited (JCPL) is a Bengaluru based civil contractor engaged in the construction of commercial and residential buildings, bridges, hospitals, layout development etc. JCPL undertakes direct as well as subcontracted orders. The clientele of the Company includes, Hindustan Steelworks Construction Limited (HSCL), National Building Construction Corporation (NBCC), Karnataka Housing Board (KHB), Karnataka Road Development Corporation Limited (KRDCL), Karnataka Health System

¹ 100 lakhs = 1 crore = 10 millions



Development Research Projects (KHSDRP), Nagarjuna Construction Company Limited (NCCL), Bangalore Development Authority (BDA), Military Engineer Services (MES), Rashtriya Madhyamika Sikshana Abhiyan (RMSA), RITES Limited, and other state and central government agencies. The company has recently forayed into real estate development with the start of its first real estate project in Hyderabad, Andhra Pradesh under a group concern, Harsha Developers.

Result Results

For the financial year 2015-16, the company reported a net profit of Rs.8.9 crore on an operating income of Rs. 216.5 crore, as against a net profit of Rs. 7.4 crore on an operating income of Rs. 197.1 crore in 2014-15.

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