



Press Release

JSR Infra Developers Pvt Ltd

November 18th, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	21.52 (reduced from INR25.00 crore)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised
2.	Long Term/Short Term Bank Facilities – Bank Guarantee	156.10	IVR BBB/Stable Outlook/ IVR A3+ (IVR Triple B with Stable Outlook/ IVR A Three Plus)	Revised
3.	Proposed Long Term/Short Term Bank Facilities – Bank Guarantee	78.90	IVR BBB/Stable Outlook/ IVR A3+ (IVR Triple B with Stable Outlook/ IVR A Three Plus)	Revised
	Total	256.52		

Details of Facilities are in Annexure 1

Detailed Rationale

The upgrade in the ratings is driven by the continuous improvement in the total income, profitability and debt protection matrices over the past 3 years. Further, the company's robust order book position and its ability to timely execute the orders are the key rating sensitivities.

The aforesaid rating revision to the bank facilities of the entity derives comfort from the company's steady operations supplemented by growth in revenue, comfortable capital structure and debt protection metrics, strong order-book position providing medium term revenue visibility with proven project execution capability, experienced promoters and qualified management team along with reputed clientele. However, highly fragmented and competitive nature of the construction sector with significant price war, inherent project execution risk and susceptibility of operating margins to volatile input prices are the rating constraints.



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Key Rating Sensitivities

Upward factors:

- Successful commissioning and completion of project without any time or cost overruns.
- Maintaining profitability as projected

Downward factors:

- Sharp changes in leverage
- Decline in profitability and elongation in operating cycle

Key Rating Drivers with detailed description

Key Rating Strengths

Steady operations supplemented by growth in revenues, comfortable capital structure and debt protection metrics

The company has seen their top line grow from INR245.60 crore in FY19 to INR256.33 crore in FY20 consequently the EBITDA in absolute terms has grown from INR49.32 crore in FY19 to INR57.51 crore in FY20 supported by the execution of the existing order book. The company's financial risk profile remains comfortable with an overall gearing ratio which has improved from 0.31x in FY19 to 0.26x in FY20. The interest coverage ratio has remained strong at 9.14x in FY20.

Strong order book position providing medium term revenue visibility with proven project execution capability

The company has an unexecuted order book position of INR1578.14 crore as on September 30, 2020. Majority of the orders are set to be completed within FY21, thereby providing revenue visibility for the next 2 years. Over the past years, the entity has successfully completed many projects in Tamil Nadu and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities. The management also contends that many of the projects they have completed before the schedule and received the bonus for the same.



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Experienced promoters & Qualified management team

The promoter, Mr. Jagannathan Sekar, is a first- generation entrepreneur having around two-decade experience in the construction sector. The other Directors of the company Mrs. Sekar Jayasree looks after the day to day operations of the company. The directors are supported by a team of experienced and qualified professionals

Reputed clientele

JSR mainly bids for tenders floated by various government departments/entities and is mainly engaged in road & irrigation construction. Moreover, the company also works as a sub-contractor for other contractors and also enters into a Joint venture to secure the orders. The company has orders which are funded by the Asian Development Bank under which the company is undertaking irrigation and water resources project; they also have projects which are commissioned by NHAI to build four-lane highways from Melur to Karaikudi and six-lane highways from Sriperumbudur to Karaipettai.

Key Rating Weaknesses

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Project execution risk

The value of a project is measured by the ability of the entity to complete any project in a timely manner and in compliance of all committed specifications. Any delays in project execution can have a negative impact on collections from customers and sale-ability of projects, which can lead to constrained liquidity. The project costs are dependent on a variety of variables such as the nature of the terrain, environmental clearances and other externalities. Infrastructure companies also face challenges relating to shortage of labour, equipment and availability of



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key raw materials on time. Weather, labour problems and difficulty in terrain may lead to construction delays and cost escalations.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, steel, cement and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the company has an in-built price variation clause for major raw materials like cement, bitumen & steel in majority of its contracts.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has had the current ratio above 1.03x and improving over the last three fiscals, with 1.33x in FY20. The company has had short term obligations amounting to INR34.92 crore with gross cash accruals amounting to INR53.58 crore and a healthy cash and bank balance of INR64.26 crore (including margin money amounting to INR52.70 crore); giving the company adequate balances left post payment of short term obligations. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable.

About the company

Incorporated in 2015 by Mr. J Sekar and Mrs. Sekar Jayasree. JSR executes civil engineering construction and infrastructure contracts for the National Highway Authority of India (NHAI),



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Public Works Department (PWD) and highways department of Tamil Nadu. JSR primarily has presence in Tamil Nadu. It is registered as a “Class one” contractor for Tamil Nadu.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	375.23	245.60	256.33
EBITDA	54.34	49.32	57.51
PAT	30.07	31.07	41.64
Total Debt	41.03	51.75	54.24
Tangible Net-worth	142.15	169.45	209.06
Ratios			
EBITDA Margin (%)	14.48	20.08	22.44
PAT Margin (%)	7.88	12.41	15.57
Overall Gearing Ratio (x)	0.28	0.27	0.26

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR dated December 09, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	21.52 (reduced from INR25.00 crore)	IVR BBB/ Stable Outlook	IVR BBB-/ Stable Outlook	--	--
2.	Long Term/Short Term Bank Facilities – Bank Guarantee	Long Term	156.10	IVR BBB/ Stable Outlook/ IVR A3+	IVR BBB-/ Stable Outlook/ IVR A3	--	--
3.	Proposed Long Term/Short Term Bank Facilities – Bank Guarantee	Short Term	78.90	IVR BBB/ Stable Outlook/ IVR A3+	IVR BBB-/ Stable Outlook/ IVR A3	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2021	21.52 (reduced from INR25.00 crore)	IVR BBB/ Stable Outlook
Long Term/Short Term Bank Facilities – Bank Guarantee	NA	NA	Up to 48 months	156.10	IVR BBB/ Stable Outlook/ IVR A3+
Proposed Long Term/Short Term Bank Facilities – Bank Guarantee	NA	NA	NA	78.90	IVR BBB/ Stable Outlook/ IVR A3+



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Annexure 2: facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-JSR-18-nov-20-.pdf>