



## Press Release

### JSR Infra Developers Private Limited

January 12, 2022

#### Ratings

Facilities	Amount (INR Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility – Fund Based – Term Loan	30.00 (Enhanced from INR21.52 crore)	IVR BBB+ / Stable Outlook  (IVR Triple B Plus with Stable Outlook)	Revised	Simple
Long Term/Short Term Bank Facilities – Guarantee	124.36	IVR BBB+ / Stable Outlook / IVR A2  (IVR Triple B Plus with Stable Outlook and IVR A Two)	Revised	Simple
Proposed Long Term/Short Term Bank Facilities – Guarantee	77.16	IVR BBB+ / Stable Outlook / IVR A2  (IVR Triple B Plus with Stable Outlook and IVR A Two)	Revised	Simple
Long Term/Short Term Bank Facilities – Overdraft	8.35	IVR BBB+ / Stable Outlook / IVR A2  (IVR Triple B Plus with Stable Outlook and IVR A Two)	Assigned	Simple
Proposed Long Term/Short Term Bank Facilities – Overdraft	16.65	IVR BBB+ / Stable Outlook / IVR A2  (IVR Triple B Plus with Stable Outlook and IVR A Two)	Assigned	Simple
<b>Total</b>	<b>256.52</b> <b>(Rupees Two</b> <b>Hundred Fifty-</b> <b>Six Crore and</b> <b>Fifty-Two</b> <b>Lakh)</b>			

Details of facilities are in Annexure 1



## Press Release

### **Detailed Rationale**

The upgrade in the ratings is driven by its improving and comfortable 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.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics.
- Successful commissioning and completion of projects without any time or cost overruns.
- Maintaining profitability as projected

#### **Downward Factors**

- Sharp changes in leverage
- Decline in profitability and elongation in operating cycle
- Decline in revenue and/or profitability leading to deterioration in debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **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. The long-standing experience of the promoter has enabled the company to reinforce its footing in the construction business and establish relations with suppliers and sub-contractors over the years.

##### **Reputed clientele**

JSR mainly bids for tenders floated by various government departments/entities and is mainly engaged in road & irrigation construction. Moreover, the company enters into a Joint venture to secure the orders and also works as a sub-contractor for other contractors. The company's clientele includes Public Works Department, State Highways Department, Tamil Nadu Road Infrastructure Development Corporation and other government agencies. The company has projects which are commissioned by NHAI to build roads and also has orders



## Press Release

funded by the Asian Development Bank under which the company is undertaking irrigation and water resources project.

### **Moderate scale of operations, comfortable capital structure and debt protection metrics**

The company's top line grew from INR245.60 crore in FY19 to INR256.33 crore in FY20 and INR256.83 crore in FY21, consequently the EBITDA in absolute terms grew from INR49.32 crore in FY19 to INR57.51 crore in FY20 and INR58.39 crore in FY21. Furthermore, in H1-FY22 the company's revenues stood at ~INR140.00 crore. Financial risk profile of the company stood comfortable with an overall gearing ratio of 0.25x in FY21 and 0.26x in FY20 and interest coverage ratio of 11.29x in FY21 and 9.14x in FY20. The adjusted tangible networth improved to INR244.22 crore as on March 31, 2021 from INR209.06 crore as on March 31, 2020 led by accretion of profits to reserves.

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

The company has an unexecuted order book position of INR1673.16 crore as on September 30, 2021 of which orders worth INR231.09 crore are set to be completed in FY22 and remaining within FY23, 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.

### **Efficient working capital management**

The working capital management of the company is efficient marked by comfortable operating cycle owing to average creditors period of 276 days in FY21 and 255 days in FY20 against average collection period of 84 days in FY21 as against 65 days in FY20.

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



## Press Release

### 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 Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Entities\)](#)

### Liquidity – Adequate

Current ratio of the company improved to from 1.64x in FY21 from 1.33x in FY20 led by increase in investment in liquid unencumbered funds to INR.69.56 crore in FY21 from 16.48 crore in FY20 as well as increase in total inventories. The company has had short term obligations amounting to INR36.18 crore with gross cash accruals amounting to INR50.38 crore and cash and bank balance of INR29.13 crore. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable.

### About the Company

JSR Infra Developers Private Limited was 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), 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):

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Audited)
Total Operating Income	245.60	256.33	256.83
EBITDA	49.32	57.51	58.39
PAT	31.07	41.64	35.79
Total Debt	51.75	54.24	60.31
Tangible Net-worth	169.45	209.06	244.22
<b>Ratios</b>			
EBITDA Margin (%)	20.08	22.44	22.73
PAT Margin (%)	12.41	15.57	17.05
Overall Gearing Ratio (x)	0.27	0.26	0.25

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: None**



## Press Release

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (PR dated November 18th, 2020)	Date(s) & Rating(s) assigned in 2019-20 (PR dated December 09, 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	30.00 (Enhanced from INR21.52 crore)	IVR BBB+/Stable Outlook	IVR BBB/Stable Outlook	IVR BBB-/Stable Outlook	--
2.	Long Term/Short Term Bank Facilities – Guarantee	Long Term / Short Term	124.36	IVR BBB+/Stable Outlook/IVR A2	IVR BBB/Stable Outlook/IVR A3+	IVR BBB-/Stable Outlook/IVR A3	--
3.	Proposed Long Term/Short Term Bank Facilities – Guarantee	Long Term / Short Term	77.16	IVR BBB+/Stable Outlook/IVR A2	IVR BBB/Stable Outlook/IVR A3+	IVR BBB-/Stable Outlook/IVR A3	--
4.	Long Term/Short Term Bank Facilities – Overdraft	Long Term / Short Term	8.35	IVR BBB+/Stable Outlook/IVR A2	--	--	--
5.	Proposed Long Term/Short Term Bank Facilities – Overdraft	Long Term / Short Term	16.65	IVR BBB+/Stable Outlook/IVR A2	--	--	--

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## Press Release

### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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 21 months from November 2021	30.00 (Enhanced from INR21.52 crore)	IVR BBB+ / Stable Outlook
Long Term/Short Term Bank Facilities – Guarantee	NA	NA	NA	124.36	IVR BBB+ / Stable Outlook / IVR A2
Proposed Long Term/Short Term Bank Facilities – Guarantee	NA	NA	NA	77.16	IVR BBB+ / Stable Outlook / IVR A2
Long Term/Short Term Bank Facilities – Overdraft	NA	NA	NA	8.35	IVR BBB+ / Stable Outlook / IVR A2
Proposed Long Term/Short Term Bank Facilities – Overdraft	NA	NA	NA	16.65	IVR BBB+ / Stable Outlook / IVR A2



## Press Release

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/JSR-Infra-Developers-jan22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).

