JSR Infra Developers Private Limited

April 11, 2023

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Term Loan	6.15* Reduced from INR. 30.00 crore)	IVR BBB+ / Stable Outlook(IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term/Short Term Fund Based/Non Fund Based Facility – Bank Guarantee	70.37	IVR BBB+/ Stable Outlook/ IVR A2 [IVR Triple B Plus with Stable Outlook/ IVR A Two]	Reaffirmed	Simple
Long Term Fund Based Facility – Overdraft	3.91 (Reduced from INR 16.65 crore)	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term/Short Term Fund Based/Non Fund Based Facility	171.70	IVR BBB+/ Stable Outlook/ IVR A2 [IVR Triple B Plus with Stable Outlook/ IVR A Two]	Assigned	Simple
Total	**252.13**	**(Rupees Two Hundred Fifty-Two Crore and Thirteen Lakh Only)**		

**Outstanding as on March 24, 2023*

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation to the long term and short term bank facilities of JSR Infra Developers Private Limited (JSR) factors in stable financial and operating performance of the Company. Further, the rating reaffirmation to the bank facilities of JSR continues to derive comfort from experienced promoters and qualified management team, reputed clientele base, moderate scale of operation and PAT margin, comfortable capital structure and debt protection matrices and healthy order book position with moderate revenue visibility in medium term.

The ratings are however, constrained by working capital intensive nature of operations, profitability susceptible to fluctuation in raw-material prices, highly fragmented & competitive nature of the construction sector with significant price war and project execution risk.

Key Rating Sensitivities:

Upward Factors

- A sustained growth in revenues while maintaining profitability and sustained improvement in debt protection measures and liquidity.
- Improvement in inventory period and creditors days

Downward Factors

- Any deterioration in overall gearing above 1.00x and interest coverage below threshold limit going forward.
- Any substantial increase in receivables leading to tight liquidity position.
- Any delays in execution of orders resulting in sizable decline in scale of operations on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoters and 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 base

The company 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.

Moderate scale of operation and PAT margin

The company has moderate scale of operation marked by total operating income witnessed growth of 26.74% from Rs.256.83 crore in FY21 to Rs.329.19 crore in FY22 due to increase in sales realisation at the back of timely completion of orders. Further, the size of operations marked by tangible net worth stood healthy at Rs.277.55 crore as on March 31, 2022. The PAT margin remained moderate at 10.23% in FY22 with no major changes as against 13.56% in FY21 at the back of moderation in depreciation and interest expense.

Comfortable capital structure and debt protection matrices

The financial risk profile marked by debt to equity ratio stood comfortable at 0.10x and 0.25x as on March 31, 2022 and March 31, 2021 respectively. Further, the capital structure denoted by overall gearing stood comfortable at 0.39x as on March 31, 2022 as against 0.25x as on March 31, 2021 due to accretion of profit and healthy net worth as on balance sheet date.

The debt protection metrics marked by total debt to GCA stood comfortable at 2.38x in FY22 however moderated as against from 1.20x in FY21 at the back of quantum increase in total debt level in absolute terms. The total debt majorly comprises of deposits, unsecured loans from related parties and working capital borrowings respectively. Furthermore, the interest coverage ratio though slightly declined from 11.06x in FY21 to 9.44x in FY22 however remained comfortable during the year. The moderation in the ratio is mainly on account of increase in interest expense against its debt obligation.

Healthy order book position with moderate revenue visibility in medium term

The company's order book stood at around Rs. 1182.60 crore as on February, 2023 (~3.59 times of the revenue registered in FY22), which provides moderate revenue visibility in the near to medium term. Infomerics notes that the company's ability to scale up resources both in terms of machinery and manpower for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

Key Rating Weaknesses:

Working capital Intensive nature of operation

Being in service industry, with works concentrated towards constructions of roads. the company is into working capital-intensive nature of operations. The operating cycle of the company stood at 14days in FY22. The inventory period stood elongated at 145 days in FY22 on account of increase in work contracts. The inventory portion consists of 25% of unbilled revenue and remaining 75% belongs to work in progress. Further, on payment to suppliers the creditors days stretched to 184 days in FY as against 108 days in FY21. The company's reliance on working capital borrowing stood nil for last twelve months ended December 31, 2022.

Intense competition and fragmented Industry

The company operates in service sector, which is marked by the presence of several mid to big size players in the organised as well as unorganised sector. Also, due to the service nature of its operations, the entry barriers remain low, resulting in high competition and consequently limited pricing flexibility which limits the pricing power of company**.**

Profitability susceptible to fluctuation in raw-material prices

The 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. With said, the raw material cost has increased from Rs.46.07 crore in FY21 to Rs.49.59 crore in FY22 at back resultant EBITDA margin nominally declined from 22.73% in FY21 to 18.60% in FY22.

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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for rating outlook

Liquidity – Adequate

The liquidity profile of the company is adequate marked by its sufficient cash accruals in comparison to maturing debt obligation. The average fund-based bank limit utilization is nil for the last twelve months ending December 2022 and the average non-fund-based utilization limit is ~ 55% for the last twelve months ending December 2022. For FY22 the Company has comfortable interest coverage ratio of 8.96x. The Company's cash & cash equivalents for the year ended March 2022 are at Rs. 62.07 crores. The current ratio for the company stood at 1.67x for FY22.

About the Company

JSR Infra Developers Private Limited was incorporated in 2015 by Mr. J Sekar and Mrs. Sekar Jayasree. The company is registered as a "Class one" contractor for Tamil Nadu and executes civil engineering construction and infrastructure contracts for National Highway Authority of India (NHAI), Public Work Department(PWD) and highway department of Tamil Nadu.

Financials (Standalone):

(INR Crore)

For the year ended* As on	**31-03-2021**	**31-03-2022**
	Audited	**Audited**
Total Operating Income	256.83	329.19
EBITDA	58.39	61.22
PAT	35.79	34.21
Total Debt	60.31	107.40
Tangible Net Worth	244.22	277.55
Ratios		
EBITDA Margin (%)	22.73	18.60
PAT Margin (%)	13.56	10.23
Overall Gearing Ratio (x)	0.25	0.39

**Classification as per Infomerics' standards*

Status of Non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
						January 12, 2022	November 18, 2020	December 09, 2019	
1.	Long Term Fund Based Facility – Term Loan	Long Term	6.15*	IVR BBB+/ Stable Outlook	--	IVR BBB+/ Stable Outlook	IVR BBB/ Stable Outlook	IVR BBB-/ Stable	-
2	Long Term Fund Based Facility – Overdraft	Long Term	3.91	IVR BBB+/ Stable Outlook	--	IVR BBB+/ Stable Outlook	IVR BBB/ Stable Outlook	IVR BBB-/ Stable	-
3.	Long Term/Short Term Fund Based/Non Fund Based Facility – Bank Guarantee	Long Term/ Short Term	70.37	IVR BBB+/ Stable Outlook/ IVR A2	--	IVR BBB+/ Stable Outlook/ IVR A2	IVR BBB/ Stable Outlook/ IVR A3+	IVR BBB-/ Stable Outlook/ IVR A3	-
4.	Proposed Long Term/Short Term Fund Based/Non Fund Based Facility	Long Term/ Short Term	171.70	IVR BBB+/ Stable Outlook/ IVR A2	--	IVR BBB+/ Stable Outlook/ IVR A2	IVR BBB/ Stable Outlook/ IVR A3+	IVR BBB-/ Stable Outlook/ IVR A3	-

**Outstanding as on March 24, 2023*

Name and Contact Details of the Rating Analysts:

Name:Vigneshwar Subramanian Tel: (022) 62396023 Email: vigneshwar.subramanian@infomerics.com	Name: Amit Bhuwania Tel: (022) 62396023 Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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 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 (Rs.Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	--	--	Up to 21 months from November 2021	6.15 Reduced from INR. 30.00 crore)	IVR BBB+/ Stable Outlook
Long Term/Short Term Bank Facilities – Guarantee	--	--		70.37	IVR BBB+/ Stable Outlook/ IVR A2
Long Term Fund Based Facility – Overdraft	--	--	Revolving	3.91	IVR BBB+/ Stable Outlook

				(Reduced from INR 16.65 crore)	
Proposed Long Term/Short Term Bank Facilities	--	--		171.70	IVR BBB+/ Stable Outlook/ IVR A2

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-JSRInfra-apr23.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 https://www.infomerics.com/.