



## Press Release

**JSR Infra Developers Private Limited (JSR)**

**June 12, 2024**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facilities – Cash Credit	50.00*	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facilities – Over Draft	3.41 (Reduced from Rs.3.91 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Upgraded; removed from ISSUER NOT COOPERATING CATEGORY	Simple
Long Term /Short Term Non Fund Based Facilities – Bank Guarantee	55.87 (Reduced from Rs.70.37 crore)	IVR BBB+/Stable/A2 (IVR Triple B Plus with Stable Outlook/ A Two)	Upgraded; removed from ISSUER NOT COOPERATING CATEGORY	Simple
Proposed Long Term/Short Term Non Fund Based Facilities – Bank Guarantee	174.20 (Enhanced from Rs.171.70 crore)	IVR BBB+/Stable/A2 (IVR Triple B Plus with Stable Outlook/ A Two)	Assigned & upgraded; removed from ISSUER NOT COOPERATING CATEGORY	Simple
Long Term Fund Based Facilities – Term Loan	0.00 (Previously rated amount Rs.6.15 crore)	-	Withdrawn	Simple
<b>Total</b>	<b>283.48</b> <b>(Rupees two hundred and eighty three crore and forty eight lakh only)</b>			

\*BG as sub-limit

**Details of Facilities are in Annexure 1**

### Detailed Rationale

Infomerics had migrated the Rating assigned to the bank facilities of JSR Infra Developers Private Limited to the 'ISSUER NOT COOPERATING' category vide Press Release dated June 05, 2024, because of non-receipt of information for monitoring the rating. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the Rating from the 'ISSUER NOT COOPERATING' category.



## Press Release

The upgradation/assignment of the ratings to the bank facilities of JSR Infra Developers Private Limited (JSR) factors in the stable scale of operations, moderate financial risk profile, moderate orderbook position with revenue visibility over the medium term. Further, the ratings continue to derive strengths from experienced promoters and qualified management team and reputed clientele base. However, the ratings are constrained by decline in profitability margins, working capital intensive nature of operations, intense competition and fragmented industry, profitability susceptible to fluctuation in raw material prices and project execution risk.

The rating for Rs.6.15 crore term loan has been withdrawn based on the client request and receiving of 'No Due Certificate' from the banker. The rating is withdrawn in line with 'Infomerics' policy on withdrawal.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- A sustained growth in revenues while maintaining profitability and sustained improvement in debt protection measures and liquidity.
- Improvement in the order book position & working capital cycle.

#### **Downward Factors**

- Any delays in execution of orders resulting in decline in revenue.
- Any deterioration in overall gearing above 1.00x
- Any substantial increase in receivables leading to tight liquidity position.

### **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.



## Press Release

### **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.

### **Stable scale of operations and moderate orderbook position**

The revenue of the company improved marginally to Rs.463.19 crore in FY24 (Provisional) [refers to period April 1<sup>st</sup>, 2023 to Mar 31, 2024] from Rs.461.17 crore in FY23 and Rs.329.19 crore in FY22. The company has an order book position of Rs.750 crore as on March 31, 2024 which is expected to be completed in the next 2 years. In addition, the company has a bid book of Rs.1300 crore as on May 31, 2024. This provides an adequate revenue visibility over the medium term. Infomerics note that the company was not able to secure any new orders in FY24. Receiving of new orders and executing the same in the timely manner will be key monitorable.

### **Moderate financial risk profile**

The capital structure (after adjusting exposure to group/subsidiary companies) of the company remained moderate with networth levels of Rs.308.93 crore as on March 31, 2024 (Prov.) [March 2023: Rs.304.40 crore]. The overall gearing of the company stood at 0.25 times as on March 31, 2024 (Prov.) [March 2023: 0.52 times]. The improvement in gearing levels were due to decline in the total debt levels. Interest coverage ratio although declined but remains comfortable at 3.68x in FY24 (FY 23 5.66 times). The decline was due to decline in EBITDA in absolute terms.

Further, JSR has also provided Corporate Guarantees (CG) for its subsidiary amounting to Rs.240.40 crore as on March 31st, 2024. The adjusted total debt considering the CG is Rs.319.17 crore in as on March 31, 2024 [Rs.400.07 crore as on March 31, 2023].



## Press Release

### Key Rating Weaknesses

#### **Decline in profitability margins**

The EBITDA margin of the company has been declining over the period due to the margins associated with the nature of the work. Irrigation works attracted high profitability margins compared to road works. The EBITDA margin stood at 8.56% in FY24(Prov.) as compared to 13.27% in FY23 and 18.60% in FY22. The PAT margin stood at 5.24% in FY24(Prov.) compared to 7.64% in FY23 and 10.36% in FY22. Infomerics believes that going forward, the company is cautious in accepting only the orders with better margins, this could help in improvement in profitability margins and in turn help in improvement in the financial risk profile.

#### **working capital intensive nature of operations**

JSR's business is working capital intensive on account of high collection period, blockage of retention money due to long duration of construction projects, which gets released after respective defect liability period. Further, a large part of working capital remains blocked in unbilled contractual revenue and receivable. collection days being shown at 78 days in FY24 (Prov.) as against 101 days in FY23.

#### **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 subcontracting) cost. However, the company has an in-built price variation clause for major raw materials like cement, bitumen & steel in majority of its contracts.



## Press Release

### **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:**

Criteria of assigning Rating Outlook

Rating Methodology for infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Complexity level of rated instruments/facilities

Default recognition criteria

### **Liquidity: Adequate**

JSR has generated gross cash accruals of Rs. 31.43 Cr in FY24 (Prov.) as against no repayment obligation for the same period, and the company is expected to generate cash accruals of around Rs.36.00 Cr in FY25 as against no repayment for the same period, which has marked adequate internal accruals for servicing the debt. The company has not utilised the working capital limits over the last six months ended May 2024. Current ratio of the company stood at 2.48 times as on March 2024 as against 3.39 times as on March 2023. Cash and cash equivalents of the company stood at Rs.29.21 Cr as on March 2023 and Rs.14.25 Cr as on March 2022.



## Press Release

### 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):

(Rs. crore)

For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	329.19	461.17
EBITDA	61.22	61.19
PAT	34.67	35.85
Total Debt	101.83	159.67
Tangible Net worth	218.02	304.40
<b>Ratios</b>		
EBITDA Margin (%)	18.60	13.27
PAT Margin (%)	10.36	7.64
Overall Gearing Ratio (x)	0.47	0.52

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (Jun 05, 2024)	Date(s) & Rating(s) assigned in 2023-24 (Apr 11, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (Jan 12 2022)
1.	Long Term Fund Based Facilities – Cash Credit	Long Term	50.00*	IVR BBB+/Stable	-	-	-	-





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2.	Long Term Fund Based Facilities – Over Draft	Long Term	3.41	IVR BBB+/Stable	IVR BBB-/Negative, ISSUER NOT COOPERATING*	IVR BBB+/Stable Outlook	-	IVR BBB+/Stable Outlook
3.	Long Term/Short Term Non Fund Based Facilities – Bank Guarantee	Long Term/Short Term	55.87	IVR BBB+/Stable/A2	IVR BBB-/Negative/IVR A3 ISSUER NOT COOPERATING*	IVR BBB+/Stable Outlook/ IVR A2	-	IVR BBB+/Stable Outlook/ IVR A2
4.	Proposed Long Term/Short Term Non Fund Based Facilities – Bank Guarantee	Long Term/Short Term	174.20	IVR BBB+/Stable/A2	IVR BBB-/Negative/IVR A3 ISSUER NOT COOPERATING*	IVR BBB+/Stable Outlook/ IVR A2	-	IVR BBB+/Stable Outlook/ IVR A2
5.	Long Term Fund Based Facilities – Term Loan	Long Term	0.00	-	IVR BBB-/Negative, ISSUER NOT COOPERATING*	IVR BBB+/Stable Outlook	-	IVR BBB+/Stable Outlook

\*BG as sub-limit

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## Press Release

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities -

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	50.00	IVR BBB+/ Stable
Over Draft	-	-	-	3.41	IVR BBB+/ Stable
Bank Guarantee	-	-	-	55.87	IVR BBB+/ Stable/A2





## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Proposed Long Term/Short Term Non-fund based facilities - Bank Guarantee	-	-	-	174.20	IVR BBB+/ Stable/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-jun24.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).