

## Press Release

### JSR Infra Developers Private Limited (JSR)

June 18, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 200.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.200.00 crore bank facilities of JSR Infra Developers Private Limited. The outlook is '**Stable**'.

JSR Infra Developers Private Limited was incorporated in 2015 by Mr. and Mrs. J Sekar. The company executes civil engineering construction and infrastructure contracts for the public works department and highways department of Tamil Nadu.

### Key Rating Drivers

#### Strengths

##### • **Healthy order book position**

The company registered operating income of Rs.377.70 crore in FY2018 (Provisional) as against Rs.450.86 crore in FY2017. Moreover, the company has an order book position of ~Rs.903.00 crore as on 31 March, 2018 which gives the revenue visibility over the medium term. Acuité believe that the increased focus on highway projects from central government agencies such as NHAI and MoRTH will benefit JSR over the medium term.

##### **Moderate financial risk profile**

JSR has moderate financial risk profile marked by moderate net worth, low gearing and healthy debt protection measures. JSR's net worth is moderate at around Rs.140.83 crore as on March 31, 2018 (Provisional). The net worth has improved significantly from Rs.54.37 crore as on March 31, 2015 on account of healthy accretion to reserves. Acuité believes that the net worth of the company is expected to remain moderate backed by its stable operating margins leading to healthy accretion to reserves.

The company has followed a conservative financial policy in the past, with its peak gearing estimated at around 0.52 times as on March 31, 2017. However, the gearing of the company has improved to 0.29 times as on March 31, 2018 (on a provisional basis). The TOL/TNW ratio, however, is estimated to be moderate at around 1.56 times as on March 31, 2018 (Provisional) on account of high mobilization advances and trade payables as against 2.22 times as on March 31, 2017. JSR is estimated to have generated cash accruals of around Rs.117.70 crore over the four years through 2018, while the total capital expenditure of ~Rs.90.00 crore. The cash accruals of the company have been sufficient to support total capital expenditure and incremental working capital requirement. JSR's gearing is estimated to remain in the range of 0.30-0.40 times over the medium term.

The operating margins of the company are estimated to remain stable at around ~14.00 percent. The moderate profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage of 25.17 times and NCA/TD of 1.03 times in FY2018 (Provisional). Acuité believes that the debt protection metrics will remain healthy on account of healthy revenue visibility and stable operating margins over the medium term.

## Weaknesses

- **Competitive and fragmented industry**

JSR is engaged as an EPC contractor. This particular sector is marked by the presence of several mid to large sized players. The company faces intense competition from the other players in the sectors. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts. Acuité believes that JSR is well positioned on account of its longstanding relationship with well-established international players in the infrastructure industry, long track-record and experience of its promoters spanning nearing three decades.

- **Working capital intensive operations**

JSR's operations are working capital intensive marked by high Gross Current Assets (GCA) of 201 days in FY2018 (Provisional) compared to 165 days in FY2017. The GCA days are high on account of loans and advances to related parties, security and retention deposits with clients. However, JSR enjoys liberal credit terms with their creditors which mitigates this risk to a certain extent. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

## Analytical Approach

For arriving at its rating, Acuité has considered the standalone business and financial risk profile of JSR.

## Outlook: Stable

Acuité believes that JSR will maintain its stable financial risk profile over the medium term on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case of a substantial and sustained growth in revenues and operating profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than-anticipated increase in its working capital requirements as a result of higher working capital requirement from its new projects thereby leading to deterioration in the financial risk profile, or if there is significant delays in completion of projects.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	377.70	450.86	270.78
EBITDA	Rs. Cr.	53.82	63.50	50.73
PAT	Rs. Cr.	28.74	32.42	25.30
EBITDA Margin	(%)	14.25	14.08	18.73
PAT Margin	(%)	7.61	7.19	9.34
ROCE	(%)	26.99	40.50	51.71
Total Debt/Tangible Net Worth	Times	0.29	0.52	0.46
PBDIT/Interest	Times	25.17	19.24	21.71
Total Debt/PBDIT	Times	0.67	0.90	0.73
Gross Current Assets (Days)	Days	201	165	207

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

Acuité has taken a note of the CBI enquiry on the promoter Mr. J. Sekar in a money laundering case dated December 2016 related to SRS Mining. The charge sheet for the aforementioned case is yet to be filed. Acuité will closely monitor any developments in this regard.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Entities in the infrastructure sector - <https://www.acuite.in/view-rating-criteria-14.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- / Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A3 (Assigned)

### Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a></p> <p>Amogh Kharkar Analyst - Rating Operations Tel: 022-67141315 <a href="mailto:amogh.kharkar@acuite.in">amogh.kharkar@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

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