

## 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

Acuite 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. Acuite believe that the increased focus on highway projects from central government agencies such as NHA 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 health 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. Acuite 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). Acuite 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. Acuite 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. Acuite 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, Acuite has considered the standalone business and financial risk profile of JSR.

## Outlook: Stable

Acuite 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

Acuite 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. Acuite 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:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.