

Press Release

JSR Infra Developers Private Limited

July 15, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 385.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Downgraded from ACUITE BBB-/Stable)
Short Term Rating	ACUITE A4+ (Downgraded from A3)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 385.00 crore bank facilities of JSR INFRA DEVELOPERS PRIVATE LIMITED (JSR). The outlook is '**Stable**'.

The rating downgrade is on account of steep decline in revenues for FY2019 and FY2018. The revenues were volatile and declined from Rs.450.83 crore in FY2017 to Rs.365.48 crore in FY2018 and Rs. 235.91 crore (Provisional) in FY2019. The ratings are constrained by declining revenues and highly competitive and fragmented industry. However, the ratings factor in the experienced management and long track record of operations.

JSR was incorporated in 2015 by Mr. and Mrs. J Sekar. The company executes civil engineering construction and infrastructure contracts for the National Highway Authority of India (NHAI), Public Works Department (PWD) and highways department of TamilNadu.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JSR to arrive at this rating.

Key Rating Drivers

Strengths

• 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.169.17 crore as on March 31, 2019 (Provisional). The net worth has improved significantly from Rs.79.67 crore as on March 31, 2016 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 at around 0.31 times (Provisional) as on March 31, 2019. The TOL/TNW ratio, however, is estimated to be moderate at around 1.20 times as on March 31, 2019 (Provisional) on account of high mobilization advances and trade payables as against 1.60 times as on March 31, 2017. JSR is estimated to have generated cash accruals of around Rs.169.74 crore over the four years through 2019, while the total capital expenditure of ~Rs.102.92 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 ~15.00 percent. The moderate profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage of 12.23 times and NCA/TD of 0.81 times in FY2019 (Provisional). Acuité believes that the debt protection metrics will remain healthy on account of stable operating margins over the medium term.

• **Healthy order book position**

The company has an unexecuted order book position of ~Rs.1806.89 crore as on 31 March, 2019 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 to scale up its operations over the medium term.

Weaknesses

• **Declining revenue trend**

JSR has booked revenues of Rs.365.48 crore in FY2018 compared to Rs.450.83 crore in FY2017. Further, in FY2019 (Provisional), the company has booked revenues of Rs.235.91 crore. The decline in revenues was due to low orders as well as slower execution. However, currently the company has work in hand of Rs. 1806.89 crore to be executed by August 2021.

• **Working capital intensive operations**

JSR's operations are working capital intensive marked by high Gross Current Assets (GCA) of 236 days in FY2019 (Provisional) compared to 199 days in FY2018. 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.

• **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.

Liquidity Position:

JSR has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.27.57-42.38 crore during the last four years through 2016-19, while its maturing debt obligations were in the range of Rs.12.56-17.22 crore over the same period. The cash accruals of the company are estimated to remain around Rs.47.70-57.77 crore during 2020-22, while its repayment obligations are estimated to be around Rs.3.67-12.50 crore. The working capital operations has remained intensive at 236 days in FY2019 (199 days in FY2018). The company maintains unencumbered cash and bank balances of Rs.15.45 crore (Provisional) as on March 31, 2019. The current ratio of the company stood low at 1.23 times (Provisional) as on March 31, 2019. The company is not likely to incur capex over the medium term. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and moderate repayments over the medium term.

Outlook: Stable

Acuite believes that JSR will maintain a 'Stable' outlook over the medium term owing to its experienced management and healthy order book position. The outlook may be revised to 'Positive' if the company registers strong growth in scale of operations while maintaining its profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenue or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	235.91	365.48	450.83
EBITDA	Rs. Cr.	50.31	55.26	63.25
PAT	Rs. Cr.	27.01	30.06	32.42
EBITDA Margin	(%)	21.33	15.12	14.03
PAT Margin	(%)	11.45	8.23	7.19
ROCE	(%)	17.98	26.90	40.34
Total Debt/Tangible Net Worth	Times	0.31	0.29	0.52

PBDIT/Interest	Times	12.23	26.11	19.23
Total Debt/PBDIT	Times	1.01	0.68	0.90
Gross Current Assets (Days)	Days	236	199	160

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Infrastructure Sector- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jun-2019	Proposed Cash Credit	Long Term	50.00	ACUITE BBB- / Stable (Assigned)
	Proposed Bank Guarantee	Long Term	150.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BB+/ Stable (Downgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	170.87	ACUITE A4+ (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.75	ACUITE A4+ (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	36.24	ACUITE A4+ (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	85.14	ACUITE A4+ (Downgraded)

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About Acuite Ratings & Research:

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