Press Release

Jra Infrastructure Limited

July 16, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	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. 35.00 crore bank facilities of JRA INFRASTRUCTURE LIMITED (JRAIL). The outlook is **'Stable'**.

Ahmedabad based, JRA Infrastructure Limited (JRAIL) was established as a partnership firm in 1986 which got converted into private limited company in 2007. Later in June 2019, the company changed its constitution into public limited company. The company undertakes civil construction projects related to roads, bridges and railways. The directors of the company are Mr. Jugalkishor R. Agrawal, Mr. Anilkumar R. Agrawal, Mr. Sanjaykumar J. Agrawal, Mr. Rajiv J. Agrawal and Mr. Arpit A. Agrawal.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JRAIL to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

JRAIL was established in 1986 as a partnership firm which later got converted into private limited company in 2007. Later in 2019, the company changed the constitution into public limited company, thus the company has an operational track record of over three decades in infrastructural construction industry. The directors of the company have an experience of over three decades in the aforementioned line of business. The long track record of operations and experience of management have helped the company maintain healthy order book position of Rs. 118.63 crore, thereby giving a revenue visibility for near to medium term. Acuité believes that JRAIL will sustain its existing business profile on the back of established track record of operations and experienced management.

• Healthy financial risk profile

The financial risk profile of the company stood healthy marked by healthy net worth, debt protection metrics and coverage indicators. The net worth of JRAIL stood at Rs. 55.48 crore (includes quasi equity of Rs. 5.64 crore) as on 31 March, 2019 (Provisional) as against Rs. 45.45 crore (includes Rs. 5.12 crore of quasi equity) as on 31 March, 2018. The gearing (debt-equity) stood at 0.44 times as on 31 March, 2019 (Provisional) as against 0.71 times as on 31 March, 2018. The total debt of Rs. 24.30 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 19.16 crore of working capital borrowings and Rs. 5.14 crore of long term debt. The coverage indicators stood healthy marked by Interest Coverage Ratio (ICR) which stood at 4.95 times for FY2019 (Provisional) as against 5.30 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.52 times in FY2019 (Provisional) and 0.37 times in FY2018. Debt to EBITDA stood at 1.18 times in FY2019 (Provisional) as against 1.68 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

• **Consistent growth in revenues**
The operating income of JRAIL has grown at a CAGR of 17 percent for the period FY2016-FY2019 (Provisional). The revenues increased to Rs. 180.28 crore in FY2019 (Provisional) from Rs. 164.36 crore in FY2018 and Rs. 114.02 crore in FY2017. This is mainly on account of increased tender allocation from government. The company has diversified geographic presence such as Gujarat, Madhya Pradesh and recently also started projects in Maharashtra, Rajasthan and Sikkim.

Weaknesses

• **Working capital intensive operations**
The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 267 days for FY2019 (Provisional) as against 202 days for FY2018. The debtors increased to 73 days for FY2019 (Provisional) from 27 days for FY2018. This is mainly due to year end phenomenon. However, the average bank limit utilization stood at ~64.20 percent for past six months ended May 2019. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• **Profitability susceptible to fluctuations in input cost**
The input cost i.e. power cost, labour cost and raw materials (i.e. bitumen, steel and cement) are highly volatile in nature with labour cost constituting around ~36 percent of the total revenue as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 10.08 percent for FY2019 (Provisional) as against 9.03 percent in the previous year.

Liquidity Position
JRAIL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 12.63 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 2.43 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 17.00 crore to Rs. 27.00 crore during 2020-22 against repayment obligation of around Rs. 2.00 crore to Rs. 3.00 crore during FY2020-22. The company has working capital intensive operations as marked by high GCA days of 267 days for FY2019 (Provisional), however, the GCA is high on account of increase in debtor days to 73 days for FY2019 as against 27 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 7.48 crore as on March 31, 2019 (Provisional). The current ratio stood at 1.41 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable
Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher- than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	180.28	164.36	114.02
EBITDA	Rs. Cr.	18.17	14.84	5.93
PAT	Rs. Cr.	9.88	9.10	5.25
EBITDA Margin	(%)	10.08	9.03	5.20
PAT Margin	(%)	5.48	5.54	4.61
ROCE	(%)	22.78	24.13	14.53
Total Debt/Tangible Net Worth	Times	0.44	0.71	0.71
PBDIT/Interest	Times	4.95	5.30	3.39
Total Debt/PBDIT	Times	1.18	1.68	2.52
Gross Current Assets (Days)	Days	267	202	204

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Infrastructure Entities - 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)
Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- /Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research:
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