Press Release

JRA Infrastructure Limited

October 06, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.70.00 crore (Enhanced from Rs.35.00 crore)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and the short term rating of '**ACUITE A3' (read as ACUITE A three)** on the Rs.70.00 crore bank facilities of JRA Infrastructure Limited (JRAIL). The outlook is '**Stable'.**

The rating reaffirmation draws comfort on account of a long track record of operations, experience of promoters for over three decades in the construction industry, reputed government clientele, healthy financial risk profile and adequate liquidity as reflected by healthy cash accruals against repayment obligations and moderate utilization of the working capital facilities. Coupled to that, the healthy unexecuted order book position of the company is expected to add further comfort on revenue visibility going forward. The rating, however, remains constrained on account of working capital intensive operations and decline in profitability margins in FY2020 (provisional).

Ahmedabad based, JRA Infrastructure Limited (JRAIL) was established as a partnership firm in 1986, which got converted into a private limited company in 2007. Later in June 2019, the company changed its constitution into a 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, Mr. Arpit A. Agrawal and Mr. Yash Agrawal.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations with experience management and reputed government clientele**

  JRAIL was established in 1986 and had an operational track record of over three decades in the 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 to forge healthy relationships with reputed government clients and its suppliers. Further, these healthy relationships helped the company to maintain a healthy unexecuted order book position of Rs.660.00 crore as on August 2020, thereby giving revenue visibility for near to medium term.

  Acuité believes that JRAIL will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Improvement in performance of operations throughout the years**
  Revenue from operations of the company has witnessed an increase of around 19 percent CAGR in FY2017-2020 (provisional) period. The revenues increased to Rs.190.80 crore in FY2020 (provisional) from Rs.182.27 crore in FY2019. The increase in revenue from operations was majorly on account of increased project allocations from both central and state governments. The company also has diversified geographic presence in the states of Gujarat, Madhya Pradesh, Maharashtra, Bihar and Sikkim. However, the construction activities of the company have slowed down on account of COVID-19 disruptions across the country and were able to book revenue of around Rs.50.00 crore in FY2021YTD (till August, 2020).

  Acuité believes that JRAIL will continue to improve the performance in operations over the medium term on account of a healthy order book position from reputed government clients.

- **Healthy financial risk profile**
  The financial risk profile of the company stood healthy marked by healthy net worth, debt protection metrics and debt coverage indicators. The net worth of JRAIL stood at Rs.66.89 crore (includes quasi equity of Rs.5.55 crore) as on 31 March, 2020 (provisional) as against Rs.58.07 crore (includes Rs.5.64 crore of quasi equity) as on 31 March, 2019. The total debt outstanding has decreased to Rs.20.05 crore as on 31 March, 2020 (provisional) compared to Rs.24.04 crore same period last year. The gearing (debt-equity) stood at 0.30 times as on 31 March, 2020 (provisional) as against 0.41 times as on 31 March, 2019. The coverage indicators stood comfortable marked by Interest Coverage Ratio (ICR) of 3.93 times for FY2020 (provisional). The NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.55 times in FY2020 (provisional) as against 0.59 times in FY2019 and Debt to EBITDA stood at 1.06 times in FY2020 (provisional).

  Acuité believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and in the absence of any major debt-funded capex in near to medium term.

Weaknesses

- **Working capital intensive operations**
  The company has working capital intensive nature of operations marked by high Gross Current Assets (GCA) of 215 days as on 31 March, 2020 (provisional) as against 263 days same period last year. The debtors decreased to 45 days for FY2020 (provisional) from 85 days for FY2019 and the inventory days stood at 54 days for FY2020 (provisional) as against 50 days for FY2019. However, the average bank limit utilization stood moderate at ~52 percent in six months ended August, 2020.

  Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity to maintain a stable credit profile.

- **Profitability susceptible to input cost**
  The company reported a decline in the operating profit margin, which stood at 7.37 percent for FY2020 (provisional) as against 10.24 percent in the previous year on account of high input cost. Further, 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 ~27 percent of the total costs incurred by the company and sub-contracts around 15 percent of its work. Hence, any adverse movement in input costs can impact the profitability of the company.

Liquidity position: Adequate

JRAIL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.11.10 crore for FY2020 (provisional) while its maturing debt obligations were Rs.4.36 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.10.75 crore to Rs.16.65 crore during 2021-23 period against repayment obligation of around Rs.3.50 crore to Rs.3.20 crore during the same period. Despite working capital intensive nature of operations marked by GCA days of 215 days as on 31 March, FY2020 (provisional), the average bank limit utilization remains moderate at around 50 percent in last six months ended August, 2020. The company maintains unencumbered cash and bank balances of Rs.3.41 crore as on 31, March, 2020 (provisional). The current ratio stood at 1.79 times as on 31 March, 2020 (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.

Rating Sensitivities

- Improvement in scale of operations backed by healthy unexecuted order book position from reputed government clients
- Any further deterioration in the working capital management and operating margin will have a negative bias on the rating

Material Covenants

None

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, reputed government clientele and healthy unexecuted 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 decline in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	190.80	182.27
PAT	Rs. Cr.	8.91	12.10
PAT Margin	(%)	4.67	6.64
Total Debt/Tangible Net Worth	Times	0.30	0.41
PBDIT/Interest	Times	3.93	4.97

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

None

Any other information

None

Applicable Criteria

- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-July-2019	Cash Credit	Long Term	15.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00 (Enhanced from 15.00)	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00 (Enhanced from 20.00)	ACUITE A3 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:
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