



Press Release
JMC CONSTRUCTIONS PRIVATE LIMITED
November 24, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.00	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	141.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	172.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B 'minus'**) and short term rating of '**ACUITE A3**' (read as **ACUITE A 'three'**) to the Rs.172.00 crore bank facilities of JMC Constructions Private Limited (JMC). The outlook has been revised from '**Negative**' to '**Stable**'.

Rationale for the rating and revision in outlook

The revision in rating outlook takes into account of improvement in turnover and bottom line margin of the company. The turnover improved to Rs.237.06 Cr in FY2023 as against 163.34 Cr in FY2022. The PAT margin improved to 5.01 percent in FY2023 as against 4.63 percent in FY2022. The outlook revision also factors the improved working capital cycle in FY2023 as compared to FY2022. The GCA days stood at 250 days as on March 31, 2023 as against 342 days as on March 31, 2022.

The rating reaffirmation takes into account its experienced promoters, moderate order book position and above average financial risk profile. JMC currently has an outstanding order book value of Rs.826.50 Cr which is to be executed in the next 24-36 months.

These strengths are partially constrained by the working capital intensive nature of operations and susceptibility of tender-based nature operations.

About the Company

Established in 1977 and based in Chittoor (Andhra Pradesh), JMC Constructions Private Limited (JMC) was initially set up as proprietorship firm by Mr. Aranii Srenevasulu. In 1999, the proprietorship firm was reconstituted as partnership firm - 'M/s A Srenevasulu & Co' by Mr. A Srenevasulu and other family members. In June 2008, the firm changed its constitution to private limited company and currently is promoted by Mr. A Srenevasulu, Mr. A Jayaramulu, Mr. K Chandrasekhar and other family members. JMC, a family-owned business, undertakes civil construction activities primarily of Roads and Highways. JMC is a 'Special Class' contractor registered with Government of Andhra Pradesh, Telangana, Karnataka, Bihar and undertakes work for Public Works Department, Roads & Buildings Department, State and National Highway development authorities.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the JMC constructions private limited (JMC) to arrive at this rating.

Key Rating Drivers

Strengths

Promoters' extensive experience in civil construction industry; established track record of operations in Southern region

JMC, a special class civil contractor, has established presence in executing projects related to primarily roads and highways amongst others for both public and private sector. Aranii Srenevasulu, the managing director of JMC, has more than four decades of experience in the line of civil construction. With the promoters' extensive industry experience and timely execution of its past projects, JMC has been able to establish longstanding relationship with various government divisions such as Roads & Building divisions (Anantapur), Roads & Building divisions (Chittoor), Bruhat Bengaluru Mahanagara Palike (BBMP), National Highways Authority of India (NHAI) and many region-wise national highway authorities amongst others.

Acuité believes that the promoters' extensive industry experience and JMC's established relation with its principal contractors will aid JMC's business risk profile over the medium term.

Improved operating performance and healthy order book position

The operating income of the JMC stood at Rs.237.06 Cr in FY2023 as against Rs.163.34 Cr in FY2022. The increased order book and post COVID-19 recovery, accelerated the growth in revenue by 45.13 percent in FY2023. The operating margin of the JMC stood at 10.69 percent in FY2023 as against 12.40 percent in FY2022. The PAT margins stood at 5.01 percent in FY2023 as against 4.43 percent in FY2022.

As on September 30, 2023, JMC has an unexecuted order book position of approx. Rs.826.50 Cr (includes L1 orders worth Rs.276 Cr); estimated to be executed over the next 24-36 months providing medium-term revenue visibility. The outstanding order book is 3.48x of the FY2023 revenue of Rs.237.06 Cr.

Acuité believes that improving scale of operations and healthy order book position will aid JMC's business risk profile over the medium term.

Above-average financial risk profile

The financial risk profile of the company has remained above-average with above-average net worth, low gearing ratios and moderate debt - protection metrics. The net worth of the company stood at Rs.119.36 Cr and Rs.107.48 Cr as on March 31, 2023 and March 31, 2022 respectively. The gearing ratio of the company stood stable at 0.21 times for the last two years ending March 31, 2023. The total debt of Rs.24.54 crore as on March 31, 2023 consists of long term debt of Rs.1.05 crore, working capital borrowings of Rs.15.08 crore, USL from directors/promoters is Rs.6.99 crore and maturing portion of long term borrowings is Rs.1.42 crore. The debt to EBITDA of the company stood at 0.95 times as on March 31, 2023 as against 1.09 times as on March 31, 2022.

Debt protection metrics stood moderate with Interest Coverage Ratio (ICR) stood at 4.10 times in FY2023 as against 2.83 times in the previous year 2022 and 3.44 times in FY2021. The DSCR stood at 2.99 times in FY2023 as against 1.86 times in FY2022 as against 2.16 in FY2021. TOL/TNW stood at 0.54 times in FY2023.

Acuité expects the financial risk profile to remain above-average over the medium to long term on account of healthy capital structure and stable operations of the company.

Weaknesses

Working capital intensive Operations

The working capital operations of the company have improved in FY2023 as compared to FY2022; however, remained high with GCA days at 250 days as on March 31, 2023 as against 342 days as on March 31, 2022. The high GCA days are mainly on account higher debtor days, WIP inventories and retention money. Higher debtor days is a year-end phenomenon as these debtors will be subsequently reduced from April'23 onward. The debtor days stood at 75 days as on March 31, 2023 as against 132 days as on March 31, 2022. Inventory days stood at 96 days as on March 31, 2023 as against 111 days as on March 31, 2022. The creditor days increased and stood at 202 days as on March 31, 2023, 316 days as on March 31, 2022 as against 112 days as on March 31, 2021. Further, the average bank limit utilization in the last twelve months ended July 2023 remained at 89.14 percent for fund based and 48.46 percent for non-fund based facilities.

Acuite believes that working capital operations of the company will remain intensive over the medium term on account nature of operations.

Susceptibility to tender-based operations

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclical nature inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuite believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

- Higher-than-expected operating income (OI) along with improvement in profitability.
- Timely execution of order book sustained increase in order inflow, providing revenue visibility in the medium term.
- Any deterioration in working capital cycle and liquidity profile the company.

All Covenants

Not Applicable

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.15.24 Cr in FY2023 as against the repayment of Rs.0.89 Cr for the same period and expected to generate cash accruals in the range of Rs.22-34 Cr. against CPLTD of Rs.1.42 Cr. over the first term. Unencumbered cash and bank balances stood at Rs.17.77 Cr as on March 31, 2023. The current ratio of the company stood at 3.10 times as on 31 March, 2023. Acuite believes that JMC's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuite has revised the outlook on JMC to 'Stable' on account of increased turnover and improved working capital intensity. The rating may be revised to 'Positive', in case of in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case JMC registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	237.06	163.34
PAT	Rs. Cr.	11.88	7.23
PAT Margin	(%)	5.01	4.43
Total Debt/Tangible Net Worth	Times	0.21	0.21
PBDIT/Interest	Times	4.10	2.83

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-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Nov 2022	Bank Guarantee	Short Term	7.25	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Secured Overdraft	Long Term	5.00	ACUITE BBB- Negative (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Guarantee	Short Term	28.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	110.00	ACUITE A3 (Reaffirmed)
26 Aug 2021	Secured Overdraft	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	16.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	110.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.25	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	43.75	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB- Stable Reaffirmed Negative to Stable

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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