



Press Release
JMC CONSTRUCTIONS PRIVATE LIMITED
February 21, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.16	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	134.84	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	172.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 is revised from '**Stable**' to '**Negative**'.

Rationale for the rating and change in outlook

The change in outlook considers the decline in turnover and profitability of the company. The turnover decreased to Rs.185.30 Cr. in FY2024 as against Rs.237.06 Cr. in FY2023. The PAT margin decreased to 4.88 percent in FY2024 as against 5.01 percent in FY2023. The rating reaffirmation considers its experienced promoters, moderate order book position and above — average financial risk profile. These strengths are partially constrained by the working capital-intensive nature of operations and susceptibility to 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, Telanpana, 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

Established operational track record and Promoters' extensive experience in civil construction industry

JMC, a special class civil contractor, has established presence in executing projects related to 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 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.

Moderate operating performance and healthy order book position

The operating income of the JMC stood at Rs.185.30 Cr. in FY2024 as against Rs.237.06 Cr. in FY2023. The operating margin of the JMC stood at 11.60 percent in FY2024 as against 10.89 percent in FY2023. The PAT margins stood at 4.88 percent in FY2024 as against 5.01 percent in FY2023. As on October 31, 2024, JMC has an unexecuted order book position of approx. Rs.821.02 Cr. estimated to be executed providing medium-term revenue visibility. Acuité healthy order book position support JMCs operations over the medium term.

Above-average financial risk profile

The financial risk profile of the company remained above average with sound net worth, low gearing ratios and moderate debt - protection metrics. The net worth of the company stood at Rs.128.37 Cr. as on March 31, 2024 as against Rs.119.36 Cr. as in March 31, 2023. The increase in net worth is due to the accretion of profits. The company's gearing stood low at 0.18 times as on March 31, 2024 as against 0.21 times in the March 31 2023. The debt protection metrics stood moderate with interest coverage ratio stood at 3.47 times in FY2024 as against 3.88 times in the previous year 2023. The DSCR stood at 2.40 times in FY2024 as against 2.87 times in FY2023. TOL/TNW stood at 0.35 times in FY2024 as against 0.54 times in FY2023. The debt to EBITDA of the company stood at 1.03 times as on March 31, 2024 as against 0.93 times as on March 31, 2023. 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 management of the company remained high with GCA days at 304 days as on March 31, 2024, as against 250 days as on March 31, 2023. The high GCA days are mainly on account of higher debtor days, WIP inventories and retention money. Higher debtor days is a year-end phenomenon. The debtor days improved and stood at 48 days as on 31st March 2024 as against 75 days as on 31st March 2023. General realization cycle for the bills of NHAI is around 15-20 days whereas for state projects its around 45-60 days (If no issues faced). The inventory days stood at 118 days as on 31st March 2024 as against 97 days as on 31st March 2023. The increase is due to high WIP levels due to delayed billing. The payable days improved and stood at 96 days as on 31st March 2024 as against 202 days as on March 31, 2023. The decrease is due to better working capital management.

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. Acuité 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 an improvement in profitability.
- Timely execution of order book while sustaining order inflow.
- Any deterioration in working capital cycle and liquidity profile the company.
- Changes in financial risk profile.

Liquidity Position

Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.12.33 Cr. in FY2024 as against the repayment of Rs.1.42 Cr. for the same period. Unencumbered cash and bank balances stood at Rs.1.09 Cr. as on March 31, 2024, as against Rs. 9.08 Cr. as on March 31, 2023. The current ratio of the company stood at 3.69 times as on 31 March 2024 as against 2.75 times as on March 31, 2023. The bank limit utilization of fund-based facility stood around 87.36 percent in last 12 months ending Oct 2024. Acuité believes that JMCCPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Negative

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	185.30	237.06
PAT	Rs. Cr.	9.04	11.88
PAT Margin	(%)	4.88	5.01
Total Debt/Tangible Net Worth	Times	0.18	0.21
PBDIT/Interest	Times	3.47	3.88

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
24 Nov 2023	Bank Guarantee (BLR)	Short Term	90.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	43.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.25	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
09 Nov 2022	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	28.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.25	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Secured Overdraft	Long Term	5.00	ACUITE BBB- Negative (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BBB- Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	90.00	Simple	ACUITE A3 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.09	Simple	ACUITE A3 Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	43.75	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.16	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Patel Sneh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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