

November 26, 2024^(Revised)

J. Kumar Infraprojects Limited: Rating reaffirmed for bank loan facilities; ratings reaffirmed and withdrawn for commercial paper

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed commercial paper	100.00	100.00	[ICRA]A1; reaffirmed and withdrawn
Long term - Fund-based - Term loans	293.61	293.61	[ICRA]A+ (Positive); reaffirmed
Long-term - Fund-based -Working capital facilities	972.00	972.00	[ICRA]A+ (Positive); reaffirmed
Long-term - Non-fund based - Bank guarantee/Letter of credit	4,345.95	4,345.95	[ICRA]A+ (Positive); reaffirmed
Long-term - Fund-based –Overdraft	46.20	46.20	[ICRA]A+ (Positive); reaffirmed
Long-term - Fund-based/Non-fund based – Unallocated	8.70	8.70	[ICRA]A+ (Positive); reaffirmed
Total	5,766.46	5,766.46	

*Instrument details are provided in Annexure-I

Rationale

The Positive outlook for J. Kumar Infraprojects Limited (JKIL) reflects ICRA's expectation that its credit profile will strengthen over the near to medium term, supported by its healthy order book position, stable operating profitability at around 14%, expected reduction in debt levels and consequent improvement in debt protection metrics. Its operating income (OI) witnessed a CAGR of 15.5% during FY2018-FY2024 and is projected to report an annual growth of ~15%-17% in FY2025 and FY2026. The operating profit margin has remained healthy and stable at around 14.0%-14.6% during the last 11 quarters, supported by in-house project execution (minimal sub-contracting), as well as geographical clustering of projects and the same is likely to remain above 14% over the medium term.

The rating action favourably factors in JKIL's strong order book position (order book to operating revenue ratio of 3.8 times as on September 30, 2024), which provides medium-term revenue visibility. The company's order book recorded a CAGR of 11.85% over the last five years ending in FY2024, with fresh order inflows worth Rs. 14,320 crore over the last 18 months ending on September 30, 2024. Despite JKIL's capital expenditure plans of ~Rs. 450 crore cumulatively in FY2025 and FY2026, ICRA expects its credit metrics to remain comfortable with interest cover likely to remain above 5.5 times and DSCR above 3.0 times over the medium term. JKIL's board has approved raising of funds through issuance of fresh shares, which once materialises, will help in deleveraging the balance sheet and strengthen liquidity position. The ratings note the extensive experience of the promoters, spanning over four decades in the civil construction segment and demonstrated capabilities in executing relatively complex infrastructure projects including underground metro projects at geographically diverse locations. The company has a fleet of well-maintained specialised equipment in its portfolio and a strong technical team, which supports its project execution capabilities.

JKIL's working capital intensity has remained relatively high with NWC/OI of 32.1% as on September 30, 2024 (FY2024: 30.6%). The company has funded a sizeable share of its working capital requirement through extended credit period and advance from customers. Any decline in either of these would have a bearing on its liquidity position. In the backdrop of expected sizeable growth over the next three fiscals, which will entail increase in working capital requirement, the company's ability to judiciously manage its working capital cycle and maintain adequate liquidity remains important from the credit perspective. The order

book remains moderately concentrated in terms of geography, segment as well as clients. Around 68% of the order book as on March 31, 2024 is in the nascent stages of execution (less than 25% executed). Of this, work was yet to commence for ~44% of the order book since the letter of award for these projects was only recently received. A strong track record of timely completion of projects mitigates the risk to an extent. The heightened competition in the construction sector, along with the volatility in input costs (steel, cement, etc) could exert pressure on JKIL's profitability, despite the presence of price escalation clauses in these contracts.

ICRA takes note of the company's investments in certain non-core business and liquidated damages (LD) charges levied by certain authorities for delay in completion of the projects. The LDs are contested by the company, and it does not envisage any outflow on account of the same, since, as per the management, the delays were on account of work fronts not being made available on time. Any investment in non-core business going forward or significantly high outflow towards LDs that adversely impacts the company's liquidity or debt coverage metrics, will be a credit negative.

The rating for Rs. 100-crore proposed commercial paper has been withdrawn based on the company's request in accordance with ICRA's policy on withdrawal of credit rating.

Key rating drivers and their description

Credit strengths

Strong order book position provides medium-term revenue visibility – The company's order book recorded a CAGR of 11.85% over the last five-years ending FY2024, with fresh order inflows worth Rs. 14,320 crore over the last 18 months ending on September 30, 2024. The outstanding order book stood at Rs. 18,721 crore as on September 30, 2024. Its OB/OI ratio remains healthy at 3.84 times of its OI in FY2024, providing medium-term revenue visibility. Timely commencement and execution of these orders are critical to sustain the revenue growth going forward.

Comfortable financial risk profile – JKIL recorded a healthy CAGR of 15.5% in its OI over the last six years ending in FY2024, along with healthy operating profit margin, supported by ownership of machines, in-house project execution (minimal sub-contracting), geographical clustering of project, and centralised procurement of raw materials. The company's capital structure remained comfortable, with total outside liabilities to tangible net worth (TOL/TNW) at 0.8 times as on September 30, 2024 (FY2024: 0.8 times), driven by healthy margins, aiding the net worth and limited dependence on external borrowings. The coverage indicators remain comfortable, with interest coverage at 5.7 times and DSCR of 3.0 times in H1 FY2025. Despite JKIL's capital expenditure plans of ~Rs. 450 crore cumulatively in FY2025 and FY2026, ICRA expects the company's credit metrics to remain comfortable with interest cover likely to remain above 5.5 times and DSCR of above 3.0 times in the medium term.

Extensive experience of promoters in civil construction industry – JKIL has an established track record of operations of over four decades, supported by an experienced management and demonstrated capabilities in executing relatively complex underground metro projects at geographically diverse locations. The company has a fleet of well-maintained specialised equipment in its portfolio and a strong technical team, which aids its project execution capabilities.

Credit challenges

Exposed to order book concentration risk – JKIL's outstanding order book is concentrated towards metro, roads and flyover segment, which formed ~89% of the unexecuted order book as on September 30, 2024. While the company has diversified its operations (across Maharashtra, Tamil Nadu, Delhi, Gujarat, Uttar Pradesh and Karnataka), Maharashtra accounted for 64% of the unexecuted order book, which exposes it to geographical concentration risk. While the geographical concentration supports optimal resource deployment, its impact on the company's revenues could be severe if the region of operations gets affected by unforeseen risks. It also faces client and project concentration risks with top three clients contributing to 68% and the top 10 orders constituting ~67% of the unexecuted order book as on March 31, 2024. However, JKIL's clients are key government authorities and hence the counterparty risk is mitigated to an extent.

Exposed to execution risk as major share of order book is in nascent stages of execution – The company is exposed to moderate execution risk, as around ~68% of the order book as on March 31, 2024 is in the nascent stages of execution (less than 25% executed). Of this, work was yet to commence for ~44% of the order book since the letter of award for these projects was only recently received. A strong track record of timely completion of projects mitigates the risk to an extent.

Heightened competition, input cost spike could exert pressure on profitability – There is intense competition in the domestic civil construction industry, which is fragmented in nature. The company has made sizeable investments towards machineries/assets for project execution resulting in relatively modest asset turnover (revenue/gross block). Garnering adequate number of projects and ensuring timely execution remain the key for optimal use of resources and ultimately profitability. The heightened competition, coupled with an increase in input cost, could exert pressure on JKIL's profitability. The built-in price escalation clause in majority of the contracts protects the operating margin from raw material price fluctuation risk to some extent. JKIL's working capital intensity remained relatively high with NWC/OI of 32.1% as on September 30, 2024 (FY2024: 30.6%). The company has funded a sizeable share of its working capital requirement through extended credit period and advance from customers. Any decline in either of these would have a bearing on its liquidity position. In the backdrop of sizeable growth over the next three fiscals, which will entail increase in working capital requirement, JKIL's ability to judiciously manage its working capital cycle and maintain adequate liquidity remains important from the credit perspective.

Liquidity position: Adequate

The company has adequate liquidity, reflected by cushion of ~Rs. 135 crore available in the undrawn fund-based limits (against drawing power) and unencumbered cash balance of Rs. 103.2 crore as on March 31, 2024. The average working capital utilisation against the drawing power over the last 12-month period ending in June 2024 remained moderate at 64% for fund-based limits. The principal debt repayment is estimated at Rs. 82.9 crore in FY2025 and Rs. 71.0 crore in FY2026, which is expected to be comfortably serviced from the operating cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its scale of operations while maintaining its profitability and improving its debt coverage metrics and liquidity profile.

Negative factors – Negative pressure on JKIL's ratings could arise if significantly lower-than-anticipated billing, deterioration in operating profitability, elongation of working capital cycle, or investment in non-core business adversely impacts the company's liquidity or debt coverage metrics. A specific credit metric, which could result in a rating downgrade, is interest cover of less than 5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Construction Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of JKIL. As on March 31, 2024, the company has one associate, J. Kumar- NCC Private Limited, the details of which are provided in Annexure II.

About the company

Incorporated in 1980, JKIL is a public limited company involved in the construction of elevated and underground metro projects, roads, flyovers and bridges and civil construction activities for Municipal Corporation of Greater Mumbai, Gujarat Metro Rail Corporation Limited, Delhi Metro Rail Corporation, Mumbai Metro Rail Corporation Ltd and other government companies in India. It was converted into a public company in 2007 and listed on the Bombay Stock Exchange and National Stock Exchange in 2008. The company has operations in Maharashtra, Tamil Nadu, Delhi, Gujarat, Uttar Pradesh and Karnataka.

Key financial indicators (audited)

JKIL Consolidated	FY2023	FY2024	H1 FY2025*
Operating income (Rs. crore)	4,203.1	4,879.2	2,573.9
PAT (Rs. crore)	274.4	328.6	176.6
OPBDIT/OI (times)	14.2%	14.4%	14.5%
PAT/OI (times)	6.5%	6.7%	6.9%
Total outside liabilities/Tangible net worth (times)	0.9	0.8	0.8
Total debt/OPBDIT (times)	0.9	0.8	1.0
Interest coverage (times)	6.0	5.7	5.7

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; * Limited Audited result

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)		Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Working capital facilities	Long Term	972.00	26-Nov-2024	[ICRA]A+ (Positive)	28-Nov-2023	[ICRA]A+ (Stable)	-	-	-	-
			04-Oct-2024	[ICRA]A+ (Positive)	08-May-2023	[ICRA]A+ (Stable)	-	-	-	-
Term loans	Long Term	293.61	26-Nov-2024	[ICRA]A+ (Positive)	28-Nov-2023	[ICRA]A+ (Stable)	-	-	-	-
			04-Oct-2024	[ICRA]A+ (Positive)	08-May-2023	[ICRA]A+ (Stable)	-	-	-	-
Overdraft	Long Term	46.20	26-Nov-2024	[ICRA]A+ (Positive)	28-Nov-2023	[ICRA]A+ (Stable)	-	-	-	-
			04-Oct-2024	[ICRA]A+ (Positive)	-	-	-	-	-	-
Bank guarantee/ Letter of credit	Long Term	4,345.95	26-Nov-2024	[ICRA]A+ (Positive)	28-Nov-2023	[ICRA]A+ (Stable)	-	-	-	-
			04-Oct-2024	[ICRA]A+ (Positive)	08-May-2023	[ICRA]A+ (Stable)	-	-	-	-
Unallocated	Long Term	8.70	26-Nov-2024	[ICRA]A+ (Positive)	28-Nov-2023	[ICRA]A+ (Stable)	-	-	-	-
			04-Oct-2024	[ICRA]A+ (Positive)	08-May-2023	[ICRA]A+ (Stable)	-	-	-	-

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	100.00	26-Nov-2024	[ICRA]A1; Withdrawn	08-May-2023	[ICRA]A1	-	-	-	-
			04-Oct-2024	[ICRA]A1	28-Nov-2023	[ICRA]A1	-	-	-	-
			-	-	11-Apr-2023	[ICRA]A1	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed commercial paper	Very Simple
Long-term - Fund-based - Term loans	Simple
Long-term - Fund-based - Working capital facilities	Simple
Long-term - Non-fund based - Bank guarantee/Letter of credit	Very Simple
Long-term - Fund-based – Overdraft	Simple
Long-term - Fund-based/Non-fund based – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working capital facilities	NA	NA	NA	972.00	[ICRA]A+ (Positive)
NA	Term loans	FY2021	NA	FY2031	293.61	[ICRA]A+ (Positive)
NA	Overdraft	NA	NA	NA	46.20	[ICRA]A+ (Positive)
NA	Bank guarantee/ Letter of credit	NA	NA	NA	4,345.95	[ICRA]A+ (Positive)
NA	Unallocated	NA	NA	NA	8.70	[ICRA]A+ (Positive)
Yet to be Placed	Commercial paper	NA	NA	NA	100.00	[ICRA]A1; Withdrawn

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation
J. Kumar- NCC Private Limited	49.00%	Equity method

Source: Company

Corrigendum

Rating methodology for 'Withdrawal of rating' added in Analytical approach Sections.

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