

Date: 04/01/2020

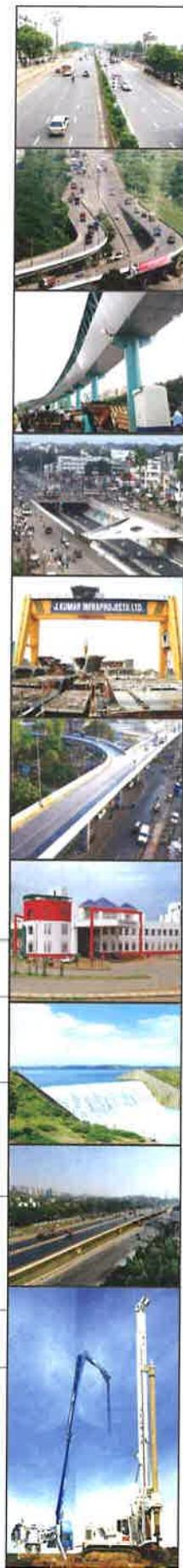


**J. Kumar**

ISO 9001:2015  
 ISO 14001:2015  
 OHSAS 18001:2007

The General Manager  
 Department of Corporate Services  
 BSE Limited  
 Mumbai Samachar Marg  
 Mumbai - 400 001  
 Fax: 2272 2037/39 /41/61

The Listing Department  
 National Stock Exchange of India Ltd  
 Exchange Plaza, Plot No.C/1, G- Block  
 Bandra- Kurla Complex, Bandra East  
 Mumbai-400 051  
 Fax No,26598237/8238



Scrip Code: JKIL/532940

Dear Sir/Madam,

Sub: Disclosure of India Ratings on the Fund and Non Fund base limits of the Company.

We herewith enclose the ratings of India Ratings and Research Private Limited:

India Ratings and Research (Ind-Ra) has affirmed J Kumar Infraprojects Ltd.'s (JKIL) Long-term Issuer Rating at 'IND A+', while resolving the Rating Watch Negative (RWN). The Outlook is Stable.

The outlook revision reflects Company's Robust Operating performance, Comfortable Credit Metrics, Adequate Liquidity and Strong Order Book.

The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs in million)	Rating	Rating Action
Term loans	-	-	Up to FY23	INR630 (reduced from INR1,990)	IND A+/Stable	Affirmed; Off RWN
Fund-based limit	-	-	-	INR6,102 (increased from INR6,052)	IND A+/Stable	Affirmed; Off RWN
Non-fund-based limit	-	-	-	INR28,988 (increased from INR27,678)	IND A1	Affirmed; Off RWN
Commercial paper*	-	-	-	INR250	IND A1	Affirmed; Off RWN

\*Yet to be issued



# J. Kumar Infraprojects Ltd.

We dream ... So we achieve...

Regd. Off.: 16-A, Andheri Industrial Estate, Veera Desai Road, Andheri (W), Mumbai - 400053. INDIA

Ph.: +91-22-6774 3555. Fax+91-22-2673 0814. E-mail : info@jkumar.com Website : www.jkumar.com

CIN No. : L74210MH1999PLC122886



**J. Kumar**

ISO 9001:2015

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## RATING SENSITIVITIES

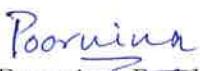
**Positive:** A substantial improvement in the business profile as a result of diversification and/or reduction in project and segmental concentration would result in a positive rating action.

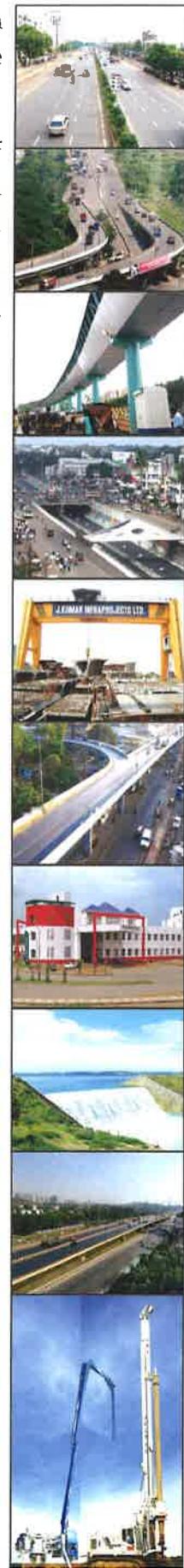
**Negative:** Any reduction in the visibility of revenue due to cancellation/stalling of projects and/or any deterioration in the financial profile of the company, resulting from an elongation of the working capital cycle or net leverage exceeding 1.5x on a sustained basis, would be negative for the ratings.

We would request you to please take on record the above and post the same on your website for dissemination to the public.

Kindly acknowledge the receipt.

For J. Kumar Infraprojects Limited

  
Poornima Reddy  
(Company Secretary)



# India Ratings Affirms J Kumar Infraprojects at 'IND A+'; Outlook Stable; Off RWN

**03**

By Sudeep Arekar

JAN 2020

India Ratings and Research (Ind-Ra) has affirmed J Kumar Infraprojects Ltd's (JKIL) Long-term Issuer Rating at 'IND A+', while resolving the Rating Watch Negative (RWN). The Outlook is Stable. The instrument-wise rating actions are as follows:

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Commercial paper*	-	-	-	INR250	IND A1	Affirmed; Off RWN

\*Yet to be issued

**Analytical Approach:** Ind-Ra has taken a combined view of JKIL and its joint ventures in order to arrive at the ratings.

## KEY RATING DRIVERS

**Revocation of SEBI Directive for Forensic Audit:** The resolution of the RWN follows the revocation of directions issued by SEBI vide its interim order dated 28 September 2018 to the stock exchanges to conduct a forensic audit on certain transactions undertaken by JKIL during FY08-FY11. The hearing on the aforesaid matter was held in December 2018. However, SEBI has revoked these directions through its final order dated 7 October 2019 on the grounds that there was no adequate evidence to believe that JKIL conducted any misrepresentation in its financials with regards to these transactions for the said period. Based on the outcome of the final order, the agency does not expect the order to have any impact whatsoever on the financial position or the normal functioning of JKIL.

**Robust Operating Performance:** JKIL's revenue grew 35.9% to INR27,871 million in FY19, posting a CAGR of 25.5% over FY16-FY19. Further, the company continued its strong growth trajectory in 1HFY20, with a 14.7% yoy increase in revenue. The strong operating performance in FY19 and 1HFY20 was primarily on account of brisk execution of the Mumbai metro projects by the company during the said period. JKIL's EBITDA margin remained stable at 15.7% in FY19 vis-à-vis FY18, expanding to 16.9% in 1HFY20. The agency expects the margins of the company to sustain in 15%-16% range over the medium term, driven by better absorption of overheads and strong execution capabilities.

**Comfortable Credit Metrics:** JKIL's interest cover (EBITDA/gross interest expenses) and net leverage (net debt/EBITDA) remained stable at 4.6x and 1.4x, respectively, in FY19. The metrics were flat as higher absolute profitability of INR4,363 million in FY19 (FY18:INR3,212 million) was offset by increased interest expenses due to increase in borrowings to support the higher scale of operations. JKIL's interest cover stood at 4.3x in 1HFY20 and net leverage at 1.4x. Ind-Ra expects JKIL to maintain similar credit metrics going forward on the back of sustained profitability and the absence of any major planned capital expenditure over the medium term.

**Liquidity Indicator – Adequate:** JKIL's net cash conversion cycle increased to 97 days in FY19 (FY18: 60 days) driven by consumption of mobilisation advances availed by the company, in line with their construction progress of the Mumbai metro projects. Consequently, the company's cash from operations (CFO) declined to INR140 million in FY19 (FY18: INR2,194 million). The company's cash conversion cycle was elongated as a result of milestone basis of billing for its metro projects, which resulted in high inventory days. Without adjusting for these advances, the net cash cycle improved to 176 days (212 days).

The company utilised around 89% of its overall INR6,102 million fund-based limits and around 80% of its INR33,258 non-fund based limits (both limits include project-specific facilities) for the 12 months ended October 2019. The liquidity, however, is supported by cash and cash equivalents of INR525 million at end-September 2019 (end-March 2019: INR704 million). Further, the company has manageable repayments of INR880 million and INR865 million due in FY20 and FY21, respectively.

**Strong Yet Concentrated Order Book:** At end-September 2019, JKIL had an unexecuted order book of INR131,663 million, which provides a strong visibility of 4.7x FY19 revenue. However, the order book is concentrated towards higher complexity metro projects (56% of total order book, underground: 34% and elevated 22%); while roads, bridges and flyovers account for 37.5% of the total orders. The balance orders are from the civil works (5.7%) and irrigation (0.4%) segments.

The agency expects JKIL's segmental concentration to prevail given the core competency of the company in construction of metros along with the healthy bidding pipeline for the metros and roads sub-segments throughout the country. Although the top five projects of JKIL's order book at end-September 2019 has reduced to 57% of the total orders at hand, (end-December 2018: 61%, end-June 2018: 66%) the same continues to remain high. Furthermore, around 47% of the order book of the company is yet to commence construction, which poses moderate construction risks. However, as per the management, most of these projects have commenced construction/mobilisation from 3QFY20 as a result of which the agency expects the construction risk to be partially mitigated. The company also benefits from the presence of strong counterparties like Mumbai Metropolitan Region Development Authority ('IND AA-/Stable) and National Highways Authority of India ('IND AAA/Stable) in its order book.

**High Exposure to Maharashtra:** 72% of JKIL's current order book comprises projects from Maharashtra or from its state government, which exposes the company to the volatile political scenario prevalent in the state since November 2019. However, none of the projects being executed by JKIL in the state have since been stalled or cancelled by the new government. Furthermore, most of these projects are already at advanced stages of construction and have been funded by multilateral financing agencies, which ensure high degree of payment security. Additionally, these projects are marquee projects and are thus, likely to be prioritised. The agency does not expect the current political scenario to impact the revenue visibility of JKIL significantly. However, any subsequent developments resulting in stalling and/or cancellation of projects in JKIL's order book resulting in a strain on its cash flows and reduced revenue visibility would be negative for the ratings.

## RATING SENSITIVITIES

**Negative:** Any reduction in the visibility of revenue due to cancellation/stalling of projects and/or any deterioration in the financial profile of the company, resulting from an elongation of the working capital cycle or net leverage exceeding 1.5x on a sustained basis, would be negative for the ratings.

**Positive:** A substantial improvement in the business profile as a result of diversification and/or reduction in project and segmental concentration would result in a positive rating action.

## COMPANY PROFILE

JKIL was incorporated in 1980 as a sole proprietorship concern. It was converted into a public company in 2007 and listed on the Bombay Stock Exchange and National Stock Exchange in 2008. JKIL is engaged in the construction of elevated and underground metro projects, roads and bridges and civil construction activities.

Particulars	1HFY20	FY19	FY18
Revenue (INR million)	12,997	27,871	20,507
EBITDA (INR million)	2,190	4,363	3,212
EBITDA margin (%)	16.9	15.7	15.7
Total debt (INR million)	7,180	7,010	5,804
Interest coverage (x)	4.3	4.6	4.6
Unrestricted Cash	525	704	975
Net leverage (x)	1.4	1.5	1.5
Source: JKIL, Ind-Ra			

## RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Rating Watch/Outlook		
	Rating Type	Rated Limits (million)	Rating	3 April 2019	10 October 2018	11 May 2017
Issuer rating	Long-term	-	IND A+/Stable	IND A+/RWN	IND A+/RWN	IND A+/Negative
Term loans	Long-term	INR630	IND A+/Stable	IND A+/RWN	IND A+/RWN	IND A+/Negative
Fund-based limit	Long-term	INR6,102	IND A+/Stable	IND A+/RWN	IND A+/RWN	IND A+/Negative
Non-fund-based limit	Short-term	INR28,988	IND A1	IND A1/RWN	IND A1/RWN	IND A1
Commercial paper	Short-term	INR250	IND A1	IND A1/RWN	IND A1/RWN	IND A1

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## SOLICITATION DISCLOSURES

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Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## ABOUT INDIA RATINGS AND RESEARCH

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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## Applicable Criteria

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[Corporate Rating Methodology](#)

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## Analyst Names

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