

## JMC Projects (India) Limited

March 03, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	873.61	CARE AA- (CWP)	Placed on Credit watch with Positive Implications
Long Term / Short Term Bank Facilities	4,900.00	CARE AA-(CWP) / CARE A1+ (Double A Minus(Under Credit Watch with Positive Implications / A One Plus)	Placed on Credit watch with Positive Implications
<b>Total Bank Facilities</b>	<b>5,773.61 (Rs. Five Thousand Seven Hundred Seventy-Three Crore and Sixty-One Lakhs Only)</b>		
Non Convertible Debentures	150.00	CARE AA- (CWP)	Placed on Credit watch with Positive Implications
Non Convertible Debentures	100.00	CARE AA- (CWP)	Placed on Credit watch with Positive Implications
Non Convertible Debentures	99.00	CARE AA- (CWP)	Placed on Credit watch with Positive Implications
<b>Total Long Term Instruments</b>	<b>349.00 (Rs. Three Hundred Forty-Nine Crore Only)</b>		
Commercial Paper (Carved out)*	150.00	CARE A1+ (A One Plus )	Reaffirmed
<b>Total Short Term Instruments</b>	<b>150.00 (Rs. One Hundred Fifty Crore Only)</b>		

Details of instruments in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities and instruments of JMC Projects (India) Ltd (JMC) has been placed under credit watch with positive implications in the view of the recent announcement made by the company regarding the approval of amalgamation scheme by the board for merger of JMC with its parent i.e. Kalpataru Power Transmission Ltd (KPTL; rated CARE AA; Stable/CARE A1+) subject to receipt of necessary approvals from regulators and stakeholders. The merger is envisaged to translate in synergistic benefits in the form of enhanced operational, organisational, financial efficiencies with likely expansion of business footprint in overseas markets. CARE Ratings is monitoring developments in this regard and shall review the rating when greater clarity emerges.

The ratings continue to take into account sustained growth in total operating income (TOI) for the last four quarters ended December 2021 as compared with previous quarters amidst execution challenges pertaining to Covid-19 pandemic. Strong order book position largely from reputed clientele and demonstrated execution capability of JMC in civil construction as well as infrastructure projects are expected to aid growth momentum and healthy cash accruals generation. The ratings also take cognizance of meaningful progress achieved in restructuring of one of its operational toll road while stake sale of another operational toll road is delayed beyond earlier timelines of Q3FY22. Furthermore, one of JMC's SPV (in Joint venture) i.e. Kurukshetra Expressway Private Ltd (KEPL) in Haryana has issued termination notice to National Highways Authority of India (NHAI) owing to sustained force majeure event (farmer agitation) beyond 180 days as per terms of concession agreement. JMC has already written-off the entire investment made in KEPL and has also provided for the envisaged shortfall payment to made towards the project. Hence, the ratings factor expected improvement in the debt coverage indicators and liquidity of JMC upon conclusion of the debt restructuring, stake sale and termination of the project.

The ratings continue to draw strength from its strong parentage, being a subsidiary of KPTL and strategic importance of JMC for KPTL. CARE Ratings believes that KPTL shall extend need-based support to JMC owing its strategic importance. The ratings continue to derive strength from its established presence in diversified areas of construction business and professional management.

The above rating strengths, however, continue to be tempered on account of moderate profitability, high leverage, working capital intensive nature of its operations and the financial support being extended to its special purpose vehicles (SPVs) operating road projects on account of their subdued performance leading to high exposure to its Build-Operate-Transfer (BOT) based road projects.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Rating Sensitivities

**Positive Factors** - Factors that could lead to positive rating action/upgrade:

- Improvement in its capital structure with overall gearing reduced to 1.00x or total debt to PBILDT below 2x.

**Negative Factors** - Factors that could lead to negative rating action/downgrade:

- Delay in debt restructuring in its SPV beyond June 2022 and higher-than-envisaged support required in its other SPVs
- Inability to achieve and sustain total operating income of around Rs.5,000 crore and PBILDT margins of 10%
- Deterioration in the credit rating of KPTL

## Detailed description of the key rating drivers

For detailed description of the key rating factors in previous press release of JMC is available on the following link: [click here](#)

**Liquidity: *Strong albeit with working capital-intensive operations:*** The operations of JMC are working capital intensive marked by gross current asset days of 285 days in FY21. Higher proportion of accrued value of work done, milestone-based payment system in the industrial and building construction segment and increase in proportion of debtors more than six months are the prominent reasons for the high working capital intensity. Higher working capital intensity has been partly funded with the creditors through back-to-back payment terms with some of them, which has led to stable operating cycle of 77 days (FY20: 76 days). This leads to healthy cash flow from operations of around Rs.450 crore during FY21.

JMC's liquidity remained adequate as reflected by sufficient cushion available in the form of unutilized working capital limits along with free cash balance of Rs.273 crore as on March 31, 2021 and Rs.266 crore as at December 31, 2021. The average maximum utilization of the fund-based working capital limits was moderate at around 81% during the 12 months ended December 2021. JMC has also enhanced its fund-based working capital limits from Rs.419 crore to Rs.500 crore to meet increase in working capital requirement. High scheduled repayment obligations along with continued support extended to SPVs are expected to lead to moderation in debt coverage indicators in the medium term. However, JMC has demonstrated good financial flexibility due to benefit of the parentage of KPTL. Furthermore, liquidity shall further improve post successful and timely restructuring of debt along with stake sale in its SPV.

**Analytical approach:** CARE Ratings has considered standalone approach while factoring the strong parentage and availability of need-based support (in case of any exigencies) from its parent, KPTL. CARE Ratings has factored KPTL-JMC linkages to arrive at JMC's ratings. Cash flow support required to be extended to its SPVs till the implementation of restructuring plan has also been factored in the analysis of JMC.

## Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

## About the Company

Established in 1986, JMC has presence in diverse areas of construction including industrial, commercial, institutional and residential buildings, roads and bridges, power plants and railway projects. In FY05, KPTL, an established player in the domestic power Transmission and Distribution Infrastructure (TDI) industry, acquired 32.28% stake from JMC's erstwhile promoters to diversify into construction and infrastructure sector. Over the years, KPTL increased its holding in the company, which stood at 67.75% as June 30, 2021. In addition to infrastructure construction on Engineering Procurement and Construction (EPC) basis, JMC also took up four road projects on Build, Operate and Transfer (BOT) toll basis, all of which were operational as on March 31, 2021.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Published)
Total operating income	3,775	3,736	3,816
PBILDT	460	382	312
PAT	79*	71	(215)*
Overall gearing (times)#	1.76	1.73	1.66
Interest coverage (times)	3.14	2.71	3.60

A: Audited; \*-includes expected credit loss provision for equity and loans given to road SPV; #including mobilisation advances;

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ST-BG/LC		-	-	-	4900.00	CARE AA- / CARE A1+ (CWP)
Fund-based - LT-Cash Credit		-	-	-	500.00	CARE AA- (CWP)
Term Loan-Long Term		-	-	March 2025	373.61	CARE AA- (CWP)
Debentures-Non Convertible Debentures	INE890A07047, INE890A07054, INE890A07062	August 28, 2018	9.95	28-August-2023	150.00	CARE AA- (CWP)
Debentures-Non Convertible Debentures	INE890A08011	October 24, 2019	10.55%	October 23, 2022	100.00	CARE AA- (CWP)
Debentures-Non Convertible Debentures	INE890A08029, INE890A08037, INE890A08045, INE890A08052	December 15, 2021	9.80%	December 13, 2024	99.00	CARE AA- (CWP)
Commercial Paper- Commercial Paper (Carved out)	-	-	-	7-364 days	150.00	CARE A1+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper- Commercial Paper (Carved out)	ST	150.00	CARE A1+	1)CARE A1+ (07-Sep-21)	1)CARE A1 (29-Sep-20)	1)CARE A1+ (01-Oct-19)	1)CARE A1+ (24-Sep-18)
2	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (07-Sep-21)	1)CARE A+; Stable (29-Sep-20)	1)CARE A+; Stable (01-Oct-19)	1)CARE A+; Stable (24-Sep-18)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	4900.00	CARE AA- / CARE A1+ (CWP)	1)CARE AA-; Stable / CARE A1+ (02-Nov-21) 2)CARE AA-; Stable / CARE A1+ (07-Sep-21)	1)CARE A+; Stable / CARE A1 (29-Sep-20)	1)CARE A+; Stable / CARE A1+ (01-Oct-19)	1)CARE A+; Stable / CARE A1+ (24-Sep-18)
4	Fund-based - LT-Cash Credit	LT	500.00	CARE AA- (CWP)	1)CARE AA-; Stable (02-Nov-21) 2)CARE AA-; Stable (07-Sep-21)	1)CARE A+; Stable (29-Sep-20)	1)CARE A+; Stable (01-Oct-19)	1)CARE A+; Stable (24-Sep-18)
5	Term Loan-Long Term	LT	373.61	CARE AA- (CWP)	1)CARE AA-; Stable (02-Nov-21) 2)CARE AA-; Stable (07-Sep-21)	1)CARE A+; Stable (29-Sep-20)	1)CARE A+; Stable (01-Oct-19)	1)CARE A+; Stable (24-Sep-18)
6	Debentures-Non Convertible Debentures	LT	150.00	CARE AA- (CWP)	1)CARE AA-; Stable (07-Sep-21)	1)CARE A+; Stable	1)CARE A+; Stable (01-Oct-19)	1)CARE A+; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
						(29-Sep-20)		(24-Sep-18) 2)CARE A+; Stable (17-Aug-18)
7	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-(CWP)	1)CARE AA-; Stable (07-Sep-21)	1)CARE A+; Stable (29-Sep-20)	1)CARE A+; Stable (17-Oct-19)	-
8	Debentures-Non Convertible Debentures	LT	99.00	CARE AA-(CWP)	1)CARE AA-; Stable (09-Dec-21)	-	-	-

\*LT: Long Term / ST: Short Term

### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Non-Convertible Debentures	Detailed explanation
<b>A. Financial covenants</b>	
I. Consolidated Debt to Tangible Net Worth	The ratio of Consolidated Debt to Tangible Network shall not exceed 5 times
II. Standalone Debt to EBITDA	Ratio of standalone Debt (including financial guarantees) to EBITDA shall not exceed 4 times
III. Standalone Debt to Tangible Net Worth	Total standalone Debt (including financial guarantees) to Tangible Network shall not exceed 1.60 times
<b>B. Financial covenants</b>	
For INE890A07054	Put Option: November 25, 2022

### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Debentures-Non Convertible Debentures	Complex
3	Debentures-Non Convertible Debentures	Simple
4	Fund-based - LT-Cash Credit	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple
6	Term Loan-Long Term	Simple

### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings:

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