

## J.M. Mhatre Infra Private Limited (Revised)

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	136.41	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	379.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

J.M. Mhatre Infra Private Limited (JMMIPL) has not provided 'No Default Statement' (NDS) for three consecutive months i.e. Apr-24, May-24 and Jun-24 as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on JMMIPL's bank facilities will now be denoted as CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING\*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects JMMIPL's long track record of operations and hence its ability to maintain the sufficient order book to sustain revenues in future.

### Detailed description of the key rating drivers:

At the time of last rating on November 21, 2023, the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Limited mid-term revenue visibility; scale of operations continues to remain moderate:

JMMIPL's performance is expected to continue its positive growth given its mid-term revenue visibility on account of the current order book equivalent to 1.87x of FY23's TOI. The company is expected to maintain a large order book in future as well given the growing investments in the infrastructure sector. The total order book stands at Rs.2216.80 crores as on September 15, 2023. Out of the current order book, ~68% of orders are scheduled to be completed by FY24. However, the growth momentum is constrained by the slow-moving status of several contracts in the order book.

The TOI of the company has improved marginally by 5% in FY23 with total income from operations at Rs.1187.70 crores in FY23 (FY22: Rs. 1135.68 crores). Though sufficient order book was available with the company, order execution was hindered in a few cases due to regulatory and environmental clearance, etc which were under the scope of the client, resulting in overall slow pace of execution. The company continues to remain vulnerable to aggressive bidding observed in infrastructure sector and hence the profitability remained range bound in 10%~11% over the last two years. Apart from this, the increase in sub-contracting expenses and labour charges continued to impact the operating margin of the company. These factors led to material variance in achieving the envisaged top line as well as in achieving the pre-covid margin in FY23.

##### Slow moving orders restricting the growth:

Out of total order book of Rs.2216.80 crores, around 59% of order are slow moving as on September 15, 2023 due to delay in environmental clearance, acquisition of land, etc. In addition to this, the pace of adding new orders has subsided annually since last two years due to intense competition in the sector. Moreover, only 41% of orders are on standalone basis as on date with

<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

major portion bagged on joint venture basis with other contractors. The company's ability to add new orders and execution pace of the current order book remains a key monitorable.

**Cash outflow from JMMIPL to SPV; expected to deteriorate the credit metrics in near to medium term:**

JMMIPL has bagged Hybrid Annuity Model (HAM) project under NHAI via its SPV named 'Kolhapur Ratnagiri Highways Private Limited' (KRHPL). The work includes construction of four laning of Ratnagiri - Kolhapur section of NH-166 from 67.14 km to 112.34 km in Maharashtra. Thakur Infra Projects Private Limited holds 49% stake in the said SPV while JMMIPL is the major shareholder at 51%.

For the said project, total capital commitment of Rs.110.00 crore is required, out of which JMMIPL's share is Rs.56.10 crores. JMMIPL has invested Rs.42.00 crores in H1FY24 in Kolhapur Ratnagiri Highways Private Limited in form of both equity and unsecured loan. Additional Rs.14cr is expected to be invested by May 2025. Apart from this both the stakeholders have extended a joint and several corporate guarantee to the SPV. Due to this, the adjusted overall gearing is expected to deteriorate to above 1.00x in FY24. The overall gearing for FY23 stood at 0.46x (FY22: 0.46x) and interest coverage stood at 3.26x (FY22: 3.61x).

**Continuance of low revenue diversification along with customer concentration risk:**

Major portion of EPC work continues to be road related, and the company continues to bid for the projects that are to be executed in state of Maharashtra. This has resulted in continuance of low diversification both in terms of segment as well as geography. Moreover, with around 90% revenue being contributed from top 10 customers, the customer concentration risk continues.

**Key strengths**

**Long track record of operations with rich experience of management:** JMMIPL has track record of construction operations of more than three decades. The management is well experienced in EPC work related to road construction, residential and commercial buildings, wastewater treatment plants, bridges, ports, water supply and railways.

**Backward integration and adequate asset base:** JMMIPL has its own quarries and ready-mix concrete as well asphalt plants, which enables the company to benefit from smooth supply of raw materials as well as lower prices on the same. The company has price escalation clause built up in all its contracts which mitigates any pricing risk. However, the pass-through clauses relates to raw material and fuel prices (steel, cement, diesel etc) and do not cover the inflationary impact of higher fuels costs on prices of other raw materials and services. In addition to this, JMMIPL has adequate asset base comprising of dumpers, concrete mixers, and other construction equipment which enables the company to be less reliant on hired machineries or equipment.

**Liquidity: Adequate**

The adequate liquidity of the company is supported by unsecured loan infused by promoters. The promoter has infused Rs.26.00 crores in H1FY24 to support both the investment in its SPV as well as to support the business. Given the meagre improvement in the TOI and moderate profitability, the gross cash accrual in FY24 is expected to remain stable around FY23 level and hence the DSCR is expected to remain modest. With the elongated working capital cycle at 87 days in FY23 (FY22: 74 days) owing to high inventory and receivable days, the maximum utilisation of fund-based limit stood at 82% for last twelve months ended September 30, 2023. The gross current asset days continues to remain above 200 days as on March 31, 2023. The principal debt obligation of the company in FY24 & FY25 stood at Rs.76.74 crores and Rs.33.86 crores, respectively. JMMIPL's cash and bank balance stood at Rs.39.62 crore.

Moreover, with respect to JMMIPL's support to its SPV, 'Kolhapur Ratnagiri Highways Private Limited', JMMIPL being a sponsor, is required to support any cost overrun, shortfall in completion of project, complying with DSCR covenant of KRHPL and bridging the shortfall in DSRA maintenance. Given that the liquidity of JMMIPL is supported by promoters' infusion in FY24, any further support from JMMIPL to KRHPL is key monitorable.

**Applicable criteria**

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

J.M. Mhatre Infra Private Limited was established in 1985 as a partnership firm, which was later constituted as private limited company in January 2010. The company is promoted by Mr. Janardhan Mhatre. The company is a Class 1A EPC contractor in construction activities. The company is engaged in construction related activities such as highways and roads, bridges, very large earthworks, wastewater treatment plants, airports, railway stations, specialised nature with large spans, water towers and water treatment plants, residential and commercial buildings, Special Marine structures and ports.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	1,187.70	NA	NA
PBILDT	122.62	NA	NA
PAT	41.59	NA	NA
Overall gearing (times)	0.46	NA	NA
Interest coverage (times)	3.26	NA	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

### Status of non-cooperation with previous CRA:

- Brickwork, vide its press release dated March 07, 2024, has downgraded the credit rating of bank facilities of JMMIPL under non-cooperation category citing non-availability of information and non-cooperation by JMMIPL.
- India Ratings, vide its press release dated July 24, 2023, has retained the credit rating of bank facilities of JMMIPL under non-cooperation category citing non-cooperation by JMMIPL.

**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:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	90.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31/01/2028	46.41	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	379.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	90.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (21-Nov-23)	1)CARE BBB+; Stable (12-Oct-22)	-
2	Fund-based - LT-Term Loan	LT	46.41	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (21-Nov-23)	1)CARE BBB+; Stable (12-Oct-22)	-
3	Non-fund-based - LT/ST-Bank Guarantee	LT/ST	379.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3 (21-Nov-23)	1)CARE BBB+; Stable / CARE A3+ (12-Oct-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

## Contact us

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