

MSJathin Infra Private Limited

October 08,2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00 (Enhanced from 26.00)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of MS Jathin Infra Private Limited (MSJIPL) is constrained by negative cash flow from operations, moderation in order book position, geographical concentration risk, tender-driven nature of business and susceptibility of profitability to fluctuations in the raw material pricing. However, rating continue to derive strength from experienced management, consistent improvement in the scale of operations , healthy profitability margins, moderate capital structure and debt coverage metrics and low counterparty risk with timely collection resulting in high collection efficiency.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in order book to around 2.5x of gross revenues
- Improvement in the scale of operations beyond Rs.350 crore.
- Maintaining PBILDT margin above 15%.

Negative factors

- Any further increase in short term loans and advances
- Significant decline in the scale of operations or lower profitability that weakens the cash accruals.
- Extension in Gross Current Asset days to 150 days and above
- Any significant debt-funded capex undertaken by the company resulting in overall gearing of more than 1x in the medium term

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that MSJathin Infra Private Limited shall continue to benefit from its experienced management and established relations with its customers and sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderation in order book position

MSJIPL has unexecuted order book position of ₹169 crore, as on June 30, 2024 compared to Rs. 206 crores as on June 30, 2023 (last review). The order book mainly diversified over the solid waste management services (SWM; bio-mining and scientific landfill) and civil construction. The order book position reflects the revenue visibility of less than 1x in FY24. Furthermore, the top four orders constitute, more than 70% of the unexecuted order book thus exposing it to customer concentration risk.

Negative cash flow from operations

The cash flow from operations of the company was reported negative in FY24 mainly on account of higher short-term loans and advances that increased to Rs.41.86 crore(PY:17.21 Cr.), mainly on account of loans and advances given to promoters and others. Major part of the above loans and advance pertain to purchase of land for parking Vehicles near landfill site. The same has resulted in negative CFO Rs. 5.16 Crores in FY24. Any further increase in loans and advances to remain a key credit monitorable

Exposed to geographical concentration risk

The order book is highly concentrated with most of its orders from the Bangalore location, under the BBMP premises. Hence, CARE Ratings Limited (CARE Ratings) notes that any change in the state's policy towards the construction sector (e.g., changes in budget allocation for infrastructure projects) might affect the company adversely.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Tender-based nature of operations in intensely competitive industry

The industry is fragmented in nature with a large number of small and medium scale players present at the regional level coupled with the tender driven nature of the construction contracts leading to aggressive bidding in order to bag orders; thus, intensifying competition which puts pressure on the profitability margins of the players. Hence, the business prospects are dependent on periods when the government roles out tender, due to which the business volume remains high in the years when there are more government tenders and vice versa.

Susceptibility of operations to changes in the Government regulations

The business remain exposed to changes in the regulatory environment. Any downward revision in the budget allocation with respect to solid waste management may impact revenues of the company. Furthermore, any change in regulation which renders the operations of the company environmentally hazardous or anything which would lead to repudiation of the contract may have adverse impact on the operations of the company. Many Municipalities have been struggling to fund various solid waste management projects from their own revenue receipts.

Key strengths

Experienced management

The company is promoted by M Sudarshan Raju and his wife, Varshitha Konduru, and closely held by the promoters. Sudarshan Raju is the Managing Director and has nearly a decade of experience in the industry. He looks after the overall day -to-day activities of the company. Prior to establishment of the company, the promoters were in the civil business.

Low counterparty risk and satisfactory collection profile

The counter party risk is partially mitigated by presence of orders from the government sector, i.e., mainly from Bruhat Bengaluru Mahanagara Palike (BBMP) and Bengaluru Solid Waste Management Limited (BSWML). As the payments are received through the budget allocations, the collection profile stood at satisfactory. The collection period stood less than 15 days in the last two years . Going forward, the ability of the company to timely receive the payments at the similar levels will be a key rating monitorable.

Moderate capital structure

The capital structure of the firm stood moderate as on the past four balance sheet dates ending March 31, '20- '24 on account of limited debt levels though the net worth base remained moderate. The overall gearing ratio stood healthy at 0.37x as on March 31, 2024, as against 0.33x as on March 31, 2023. The Debt coverage (Total Debt/GCA) and interest coverage (PBILDT/Interest) indicators stood comfortable at 0.81x and 17.84x as on March 31, 2023.

The total debt as on March 31, 2024, increased from Rs.11 crore to Rs.22 crore primarily lead by loan taken to fund the purchase of land/fund its investment in fixed assets. However, after adjusting for the short-term loans and advances of Rs.42 crore as on March 31, 2024 to its TNW, the adjusted gearing of the company moderates to 1.30 times FYE24 as against 0.71 times as at FYE23.

Sustainability in growth in scale of operations

The company's scale of operations was relatively low, i.e., at less than ₹80 crore till FY22. However, MSJ has been successful in sustaining the growth in its scale FY23 onwards, and during FY24, with the improved order book position, the company was able to achieve scale of operations to ₹247.92 crore in FY24. The order book position of the company though declined compared to last year , remained modest at Rs. 169 Cr, indicating an orderbook to sales ratio of 0.7x FY24 revenue.

Nevertheless, the sustainability of these revenues would be a key rating monitorable as the current order book position is less than 1x of the revenues earned by the company during FY25.

Liquidity: Adequate

The liquidity position of the company remained adequate as characterized by moderate utilisation of average fund-based level at less than 60% . As of 31 March 2024, the company had an outstanding term debt of Rs. 20.74 crores. The company is earning gross cash accruals Rs. 26.65 crores and the gross repayments is in the range of Rs. 6.24 crores per year which provides sufficient cushion in case of any exigencies. GCA is expected to further increase going forward. The company reported timely collection from the customers. The company reported very low unencumbered cash balance of Rs. 0.05 crores as of 31 March 2024 (Provisional).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Construction](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Utilities	Other Utilities	Waste Management

MS Jathin Infra Private Limited (MSJIPL) incorporated on December 8, 2015, based out of Bangalore, Karnataka. MSJIPL is engaged in the solid waste management (SWM) services and civil construction in the state of Karnataka, specifically in Bangalore location. The SWM services includes biomining (a solution involving segregation, treatment, recycling and thus clearing landfills), scientific landfills, and leachate treatment, etc., In addition, the company also participates in orders related to civil construction works such as roads, drain works, swimming pools, construction of statues, school buildings , etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	June 30, 2024 (UA)
Total operating income	234.37	247.92	34.28
PBILDT	28.15	36.71	5.48
PAT	19.87	24.32	3.47
Overall gearing (times)	0.33	0.37	NA
Interest coverage (times)	30.96	17.84	NA

A: Audited UA: Unaudited; NA : Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	15.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	December 2027	4.28	CARE BB+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	25.72	CARE BB+; Stable

Annexure-2: Rating history for 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-Term Loan	LT	4.28	CARE BB+; Stable	1)CARE BB+; Stable (05-Aug-24)	1)CARE BB+; Stable (02-Aug-23)	-	-
2	Non-fund-based - LT-Bank Guarantee	LT	25.72	CARE BB+; Stable	1)CARE BB+; Stable (05-Aug-24)	1)CARE BB+; Stable (02-Aug-23)	-	-
3	Fund-based - LT-Bank Overdraft	LT	15.00	CARE BB+; Stable	1)CARE BB+; Stable (05-Aug-24)	1)CARE BB+; Stable (02-Aug-23)	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

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

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: 91-80- 4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Manohar S Annappanavar Associate Director CARE Ratings Limited Phone: 912267543436 E-mail: manohar.annappanavar@careedge.in
	Arnab Navarange Analyst CARE Ratings Limited E-mail: Arnav.Navarange@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**