JNS Infra Projects Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	50.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of JNS Infra Projects Private Limited (JNSIPPL) are constrained due to the sectoral and geographical concentration risk, fragmented nature of construction sector with tender-based nature of operations and execution challenges, profitability susceptible to fluctuations in input prices, and moderate dependency on sub-contractors. However, these constraints can be partly mitigated by the promoters' experience, satisfactory orderbook position despite client concentration, comfortable capital structure, and stable outlook of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achieving total operating income (TOI) of ₹370 crore with operating margins above 12% on a sustained basis.

Negative factors

- Any sizeable de-growth in scale of operations from present level (TOI below ₹200 crore) on a sustained basis.
- Delays in execution of orders beyond stipulated time frame and delay in receipt of collection of receivables from customers on a sustained basis.
- Any large debt-funded capex impacting the liquidity and financial profile.

Analytical approach: Standalone

Outlook:: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the promoters' extensive industry experience.

Detailed description of key rating drivers:

Key weaknesses

Sectorial and geographical concentration risk

The majority of the order book comprises works from the water segment leading to sectoral concentration risk. Historically, the company operations have been majorly focused on Karnataka. The outlook of the sector is positive and the progress in the last few years with significant development in the water segment. However, the timely receipt of requisite approvals & bill realisations is critical for the company to complete the project within the envisaged costs & timeline. The company is open to diversifying the order book. The management conducts surveys of each order and only bids for those deemed reasonable and profitable. Thus, the company is willing to diversify both on the geographical front and work type.

Fragmented nature of construction sector with tender-based nature of operations and execution challenges

The infrastructure sector in India is highly fragmented and competitive with many small and mid-sized players. This coupled with tendering process in order procurement results in intense competition within the industry, fluctuating revenues, and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. All these are tender based and the revenues depend on the company's ability to bid successfully for these tenders. Profitability margins are under pressure because of the competitive nature of the industry. However, the promoter's long industry experience of nearly two decades mitigates this risk to some extent.

Moderate reliance on sub-contracting

The raw material cost and sub-contracting cost forms a major portion of the total cost of sales for JNSIPPL. Concrete, sand, steel, and cement are the major inputs for construction entity, the prices of which are volatile. All the contracts have a price escalation clause. The presence of a price variation clause for every order undertaken by JNSIPL mitigates the risk of fluctuation in raw material prices. In FY24, while the raw material expense continued to remain stable, sub-contracting expenses as a percentage

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

of the cost of sales decreased to 13% (FY23: 15%). The company in general subcontracts works which require a high quantum of manpower.

Key strengths

Experienced promoter and management team

JNSIPL is a closely held company managed by the promoter, Jayasheel Narayan Shetty, who has around more than two decades of experience in the construction industry. In 2006, the promoter commenced operation by taking up small projects in his capacity and eventually formed a proprietorship in his name. Subsequently, it was converted into partnership firm in 2023, which was subsequently converted into private limited company, named JNS Infra Projects Private Limited in 2024 to bid for and take up larger works. Over the years, the promoter has built up strong associations with several large and reputed players in the market and has been garnering repeat orders from the same.

Satisfactory orderbook position

As on September 12, 2024, JNSIPPL has satisfactory orderbook of ₹997.93 crore which translates to 3.15x of gross billing of FY24 (JNS Constructions), which indicates medium-term revenue visibility. About 36.53% of the total outstanding orders is from Karnataka Neeravari Nigam Limited of ₹364.57 crore, 26.49% (₹264.40 crore) from Krishna Bhagya Jala Nigam Limited 24.86% (₹248.13 crore) from Rural Drinking Water & Sanitation Department, ₹11.78% (₹117.52 crore) from Minor Irrigation Department and 0.33% (₹3.31 crore) from Nuclear Power Corporation of India Limited (rated 'CARE AAA; Stable / CARE A1+') and others. The strong credit profile of the clients mitigates the counter party risk. Additionally, as on November 30, 2024, the company has bagged four new orders worth ₹313 crore from Government of Karnataka.

Comfortable capital structure and debt coverage metrics

JNSIPPL's debt profile comprises term loans and bank overdrafts. Overall gearing ratio has remained comfortable, ranging from 0.10x to 0.58x between FY20 and FY24. The total outside liabilities to tangible net worth (TOL/TNW) ratio has been between 0.87x and 2.23x in the same period. The debt coverage ratio for FY24 is 0.26x, consistent with the range of 0.10x to 0.26x from FY20 to FY24. The total debt/gross cash accruals (GCA) ratio stands at 0.63x for FY24, within the range of 0.26x to 0.63x from FY20 to FY24. The interest coverage ratio is 7.41x for FY24, having decreased from 14.04x to 7.41x between FY20 and FY24, primarily due to an increase in finance costs.

Stable outlook of construction industry

The construction industry contributes ~8% to India's gross domestic product (GDP). Growth in infrastructure is critical for the development of the economy, and hence, the construction sector assumes an important role. The focus of the government on infrastructure development is expected to translate into huge business potential for the construction industry in the long run. Massive outlay of USD 1.97 trillion under The National Infrastructure Pipeline (NIP) and large budgetary allocation corroborate the same. Union budget 2021 allocates capital outlay of ₹5.5 trillion includes allocation of ₹1.2 trillion to Roads, ₹1.1 trillion to Railway, ₹0.69 trillion to Marine, and ₹0.37 trillion to urban infrastructure. The construction industry in India is expected to grow by 11.2% to reach INR 25.31 trillion in 2024. A compounded annual growth rate (CAGR) of 9.6% is projected in 2024-2028, with the country's construction output expected to reach INR 36.58 trillion by 2028, indicating substantial growth potential.

Liquidity: Adequate

JNSIPPL's liquidity continued to remain adequate characterised by sufficient cushion available in form of GCA of ~₹34.22 crore in FY24. In FY20-FY24, operating cycle remained comfortable at between 22 days and 50 days (22 days in FY24) because of strong operational performance and healthy collection efficiency. The average utilisation of fund-based limits remained moderate at ~31.07%, respectively, in the trailing five months that ended on August 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

JNSIPPL was established in 2006 as a proprietorship entity by Jayasheel Narayana Shetty. It was later incorporated as a partnership firm named 'JNS Construction', with Jayasheel Narayana Shetty and his family as partners. In FY24, it was converted into a private limited company, now known as JNS Infra Projects Private Limited. The firm is engaged in civil construction work, including roads, bridges, canal works, barrage works, and lift irrigation projects. It undertakes government projects on a tender basis within Karnataka. Additionally, the entity operates a bar and restaurant in Karnataka.

Brief Financials (₹ crore)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	0.00	122.48
PBILDT	0.00	11.48
PAT	0.00	10.61
Overall gearing (times)	0.00	NA
Interest coverage (times)	0.00	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/ST		-	-	-	40.00	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	10.00	CARE BB; Stable / CARE A4

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/ST	LT/ST	40.00	CARE BB; Stable / CARE A4	-	-	-	-
2	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	10.00	CARE BB; Stable / CARE A4	-	-	-	-

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/ST	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender details

To view 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.

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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.

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