

J M Constructions Company

August 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	14.00	CARE B+; Stable	Reaffirmed
Short Term Bank Facilities	16.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings to the bank facilities of J M Constructions Company (JMCC) continue to remain tempered on account of small scale of operations along with exposure to geographical concentration risk, moderate profitability margin with margins susceptible to fluctuation in raw material prices, moderate financial risk profile albeit improved in FY25 and continued high level of sticky inventory pertaining to slum redevelopment board. The total inventory as on March 31, 2025, remained high, accounting for about 1/3rd of Total Operating Income in FY25 and elongated operating cycle resulting into stretched liquidity as marked by near full utilisation of limits. The rating is also constrained by tender-based nature of operations in intensely competitive construction industry and constitution of the entity as proprietorship firm with inherent risk of capital withdrawal. The rating, however, positively factor in experienced partners with proven track record in civil construction, moderated orderbook position with slow execution of orders leading to a Sales/orderbook ratio of 1.86x restricting revenue visibility for near term. The rating also takes note of the firm adding some new government clients where the budgetary allocation is in place and the execution is expected to improve.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in the scale of operations while maintaining PBILDT margin of above 8%.
- Improvement in orders with improved execution resulting in improved cash accruals.
- Timely realisation of stuck inventory resulting reduced working capital utilisation with no instances of overdrawals in its CC account on a sustained basis.
- Improvement in operating cycle translating in to improved liquidity position of the firm.

Negative factors

- Significant delay in realisation sticky inventory and receivables from the government department thereby impacting the liquidity position of the firm.
- Withdrawal of the capital leading to overall gearing to more than 2.5x.
- Significant decline in the scale of operations or lower profitability translating in weakening of cash accruals.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's expectation of the firm being able to improve its work order execution on the back of higher proportion of orders from newly added government clients with adequate budgetary allocation in place and timely realisation of sticky inventory.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations along with exposure to geographical concentration risk with moderate profitability margins

Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 9.58% in last 5 years ended FY25. The scale of operations has remained in the range of Rs.35 crore to Rs.76 crore over last five years. TOI grew by 20% to Rs.75.94 crore in FY25 over FY24 on account of higher project completion by the firm during the year. The small scale of operations is mainly

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

attributable to slower execution of orders, especially the order from slum board in the past. However, on the back of higher proportion of new orders where the execution is expected to improve on the back of availability of budget from the government, the scale is expected to improve. Moreover, modest scale of operation with modest network base limits the entity's ability to scale up the business significantly. Further, competition in the industry will continue to restrict future growth prospects. As on March 31, 2025, its order book position stood moderate at 1.86x of the TOI for FY25, providing medium term revenue visibility. Going forward, scale of operations is expected to grow on account of expected improvement in demand, and better order book.

JMCC's operating profitability exhibited a stable trend with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin within the range of 7-8% in the past three years ended FY25. It stood moderate at 7.32% during FY25, largely in line with previous year on account of stable input costs. Going forward, profitability is expected to remain stable owing to expected stable realisations and input costs.

This apart, the firm is highly exposed to geographical concentration as, the order book is highly concentrated with most of its orders from a single state of Karnataka and are restricted to Bidar District of Karnataka. Hence, any change in the state's policy towards the construction sector (e.g., changes in budget allocation for infrastructure projects) might affect adversely to the fortunes of firms such as JMCC. The basic input materials for execution of contracts are steel, bitumen and cement, the prices of which are highly volatile. Hence, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry. The absence of price escalation clause primarily in the old orders from slum board which constituted about 56 of the orders had resulted in fluctuation in PBILDT margins. However, going forward on the back of higher portion of new orders where majority of the orders have a price adjustment clause the PBILDT margins are expected to stable.

Moderate financial risk profile

Capital structure of the firm slightly improved, though remained moderate marked by overall gearing of 1.20x as on March 31, 2025, when compared to 1.48x as on March 31, 2024. TOL/TNW also improved to 1.50x as on March 31, 2025, when compared to 2.19x as on March 31, 2024, on account of increase in net worth backed accretion of profits. The other debt coverage indicators also stood moderate with total debt to PBILDT and total debt to GCA at 4.05x and 6.61x in FY25 (UA) when compared to 4.65x and 7.97x in FY24 (A) respectively. Interest coverage of the firm has slightly moderated to 2.28x in FY25 (UA) (PY: 2.48x) because of increase in interest cost backed by high utilisation working capital limits.

Elongated operating cycle & stretched liquidity

Operation of entities in construction sector is working capital intensive in nature due to milestone based payments, defect liability period, contractual performance terms and project specific challenges. The operating cycle of the firm continues to exhibit improvement over last three financial years and stood at 108 days in FY25 (UA) when compared to 156 days in FY24 (A) and 264 days in FY23 (A); albeit continued to remain elongated. The elongated operating cycle was on account of elongated inventory days and receivable days. Slow execution has led to delay in billing for its sticky inventory thus blocking the funds from the government clients. The delays in receivables/sticky inventory over past couple of years is mainly attributable to changes/instability in the government. The sticky inventory continued to impact the pace of execution. On account of above-discussed reasons the liquidity position of the firm remains stretched resulting into high dependency on working capital utilisation.

Continued higher levels of inventory

The firm continues to have high inventory since last 2 years at Rs.22.77 crores as on March 31, 2025 (PY Rs.22.80 crores), which continued to account for 1/3rd of TOI. Major inventories consist of work in progress, slow order execution of KSDB orders (2020-2021) has led to delay in billing and collection of its receivables from the government clients. The continued high level of inventory over in the past couple of years is mainly attributable to changes/instability in the government coupled with low GCA continues to impact liquidity as evident from near full utilisation of working capital limits. The ability of the firm to reduce the WIP inventory which majorly consist of orders from KSDB and complete the slow orders remains a key monitorable.

Tender-based nature of operations in intensely competitive construction industry

The construction 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 doles out tender, due to which the business volume remains high in the years when there are more government tenders and vice versa.

Constitution of the entity as proprietorship firm with inherent risk of capital withdrawal

Constitution as a proprietorship firm has the inherent risk of possibility of withdrawal of the capital at the time of personal contingency which will affect its capital structure. Moreover, proprietorship firms have restricted access to external borrowing which limits their growth opportunities to some extent.

Key strength

Experienced partners with proven track record in civil construction

The firm is presently managed by Mr. Mohammed Javeed Ahmed. Mr. Ahmed holds experience in construction industry for nearly fifteen years. He looks after the overall day-to-day activities of the firm. Further, the long-standing presence of promoters in the construction industry, enabled them to establish a long-term relationship with their customers and suppliers.

Moderate order book position of the firm albeit slow execution

As on March 2025, the firm had total unexecuted order book position of Rs.141.70 crore, indicating an orderbook to sales ratio of 1.86x thus providing revenue visibility in the near to medium term. However, it is to be noted that most of the orders were pertaining to orders awarded in FY19 to FY21 period. The firm executes orders primarily from government bodies such as Public Work Departments (PWD) Karnataka, Karnataka Housing Board (KHB), Karnataka Slum Board (KSB), Karnataka Urban Water Supply and Drainage Board (KUWSDB), Rural Drinking Water and Sanitation Department (RDWSD), construction works for various municipalities and works of urban and industrial departments (UIDD). As articulate by the management, the firm has orders worth approximately ₹125 crore in pipeline likely to get orders post August 15, 2025. This includes ₹45 crore order from Department of Municipal Authority (DMA) for infrastructure, roads, electrical development and another ₹80 crore across three new government-related infrastructure projects, and other urban development works similar in scope to mini Vidhana Soudha developments. These projects were recently awarded and are expected to commence soon. Execution is structured around defined project milestones and is expected to be completed over a span of 12-18 months. The billing mechanism will be milestone-based, and the work order is expected to get after 15th of August 2025. Hence, ability of the firm to accrue benefit as envisaged from the new orders as well as realisation of its sticky inventories remain a key monitorable.

Liquidity: Stretched

Liquidity position remained stretched marked by high utilization of its working capital limits. Its bank limits of Rs. 12.5 crore were utilised at around 93% during last 12 months ended March, 2025. The entity has also availed non-fund based limits of Rs.16 crore with average utilisation of 81% during last 12 months ended March, 2025. There were some instances of overdrawals in CC account, however, the same was regularised within 7 days. The operating capital cycle stood at 108 days in FY25 (Prov.) (PY: 156 days). The firm's current ratio stood at 1.56x as on March 31, 2025.. While unencumbered cash and bank balance was around Rs.5.11 crore as on March 31, 2025. During FY25, the firm has generated gross cash accruals of Rs. 3.41 crores against the debt obligations of Rs. 0.17 crore pertaining to GECL loan. Thus, its cash accruals are expected to remain adequate to meet its debt repayment obligations. However, given the newer share of orders from DMA and PWD where the repayment terms are expected to better should aid in improving its liquidity, hence, the ability of the company to improve its collection efficiency going forward would remain a key monitorable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

J M Constructions Company (JMCC) was established as partnership firm in the year 2008 in Bidar, Karnataka. The firm is presently looked after by Mr. Mohammed Javeed Ahmed and is mainly engaged in construction and civil works for Public Works Department (PWD), Karnataka, Karnataka Housing Board (KHB), Karnataka Slum Board (KSB), Karnataka Urban Water Supply and Drainage Board (KUWSDB), Rural Drinking Water and Sanitation Department (RDWSD), construction works for various municipalities, and works of urban and industrial departments (UIDD) Etc.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	63.29	75.94
PBILDT	4.96	5.56

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
PAT	2.72	3.27
Overall gearing (times)	1.48	1.20
Interest coverage (times)	2.11	2.28

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: ICRA has conducted the review on the basis of the best available information and has classified the JMCC as 'Issuer Not Cooperating' vide its press release dated July 18, 2024.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	14.00	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	16.00	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 2025-2026	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
1	Fund-based - LT-Working Capital Limits	LT	14.00	CARE B+; Stable	-	1)CARE B+; Stable (17-Jul-24)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	16.00	CARE A4	-	1)CARE A4 (17-Jul-24)	-	-

LT: Long term; ST: Short term;

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-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

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