



Press Release

J M Mhatre Infra Private Limited (JMMIPL)

March 28, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	135.71	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	375.00	IVR A2 (IVR A Two)	Assigned	Simple
Total	510.71 (Rupees Five hundred ten crore and seventy-one lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of J M Mhatre Infra Private Limited (JMMIPL) derive strength from proven track record and experienced promoters in civil construction industry, owned equipment ensuring timely execution of orders and comfortable capital structure and debt protection metrics.

The ratings strengths are, however, constrained by the muted growth in scale of operations and profitability, Hybrid Annuity Model (HAM) project implementation risk, moderate working capital intensity, geographical and client concentration risk and tender-based nature of operations with intense competition in the industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations along with profitability on a sustained basis.
- Significant improvement in working capital cycle improving liquidity of the company.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile and debt protection metrics.
- Sharp changes in leverage leading to deterioration in debt protection metrics.



Press Release

- Stretch in the working capital cycle impacting the liquidity of the company.
- Any delays in execution of HAM project and any liabilities arising thereof, leading to decline in the company's revenues and profitability.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Proven track record and experienced promoters in civil construction industry

J M Mhatre Infra Private Limited (JMMIPL) is promoted by Mr. Janardhan Moru Mhatre who has more than 40 years of experience in the field of construction and infrastructure development. Currently the company's major operations are headed by Mr. Chetan Janardhan Mhatre, Mr. Sachin Janardhan Mhatre and Mr. Pritam Janardhan Mhatre who have 20+ years of experience in the industry. Long standing experience of the promoter in construction industry has led to the established position of the company in Navi Mumbai and Mumbai Metropolitan Region. The promoters are supported by a well-qualified and experienced management team.

Own equipment ensures timely execution of orders

JMMIPL has adequate equipment to complete the projects in a timely manner with over 96 excavators, 57 loaders, 32 rock breakers, 5 asphalt plants, 2 paver block plants, 12 batch mixers, around 50 concreting, crushing and piling equipment, 16 water tankers, 35 cranes, 56 transit mixers and various other machineries. JMMIPL also has its own quarries, which helps smooth supply of raw materials. Thus, the company does not have to rely on hiring machineries which may be deployed at other projects.

Comfortable capital structure and debt protection metrics

The company has a comfortable capital structure marked by overall gearing ratio and TOL/TNW at 0.55x and 1.42x as on March 31, 2023. The total debt of Rs. 276.61 crore majorly comprises of term loan of Rs. 194.26 crore, unsecured loans from promoters and related parties of Rs. 2.46 crore and short-term working capital borrowing of Rs. 79.89 crore. Further JMMIPL has also guaranteed the debt of Rs. 224.40 crores in Kolhapur Ratnagiri Highway Pvt Ltd (KRHPL) which is expected to be drawn down upto 90% in FY25 and balance 10% in FY26. Factoring the guaranteed debt the overall gearing and TOL/TNW is expected to moderate however remain comfortable. Further the company's debt protections parameters



Press Release

like interest coverage ratio are comfortable at 4.26x in FY23 (PY: 4.45x). Total debt to GCA stood moderate at 3.45 years in FY23 (PY: 3.14 years). JMMIPL has a commitment of total equity contribution of Rs.56.10 crore in KRHPL, out of which the company has infused Rs. 42.50 crore till January 2024 through unsecured loan from promoters of Rs.28 crores and Rs. 13.50 crores through internal accruals. The balance equity amount will be infused in FY25 and FY26 through internal accruals. The DSCR of the company remains adequate after factoring in the equity investment of KRHPL through internal accruals towards KRHPL.

B. Key Rating Weaknesses

Muted growth in scale of operations and profitability

The company has an unexecuted order book of around Rs. 2130 crore as on December 31, 2023, which is about 1.8x of its FY23 revenue. Government orders make up 72% of the total order book. Further, around 33% of orders are slow moving as on December 31, 2023, due to delays in environmental clearance, acquisition of land, etc resulting in muted growth of 4.58% in FY23. JMMIPL reported Rs. 1187.70 crore total operating income (TOI) in FY23 (PY: Rs.1135.69 crores). EBITDA margins remained range bound in 10% to 11% over the last two years. Increase in sub-contracting expenses and labour charges continued to impact the operating margin of the company. The company has price escalation clause relating to raw material and fuel prices (steel, cement, diesel etc) built up in all its contracts which mitigates pricing risk to an extent. PAT margin has accordingly reduced to 3.46% in FY23 from 5.32% in FY22 due to lower profitability and increase in interest charges. The company has achieved Rs. 633.10 crores and EBITA margin of 11.75% for 9MFY24 (Unaudited).

HAM project implementation risk

The company has secured a HAM project, being executed under KRHPL, for four laning of Ratnagiri - Kolhapur section of NH-166 awarded by National Highway Authority of India (NHAI) at a project cost of Rs. 946.00 crore which will be executed under Joint Venture (JV) with Thakur Infraprojects Pvt Ltd (TIPL) (rated IVR A-/Stable/ IVR A2+), wherein JMMIPL's share is 51%. The above project will be funded by equity contribution of Rs.110 crores and term loan from banks of Rs.440 crore, which is already sanctioned, and the balance will be NHAI contribution as in any HAM project. JMMIPL's equity contribution is Rs. 56.10 crores. Till January 2024, JMMIPL has infused Rs. 42.50 crore of equity in KRHPL through internal accruals. The debt will be jointly and severally guaranteed by the joint venture partners. There



Press Release

is an inherent execution risk of the project and timely completion of the same within costs without any further support from the JV partners is a key rating monitorable.

Moderate working capital intensity

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. High work in progress gets built up due to milestone-based billing. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. The operating cycle stood at 91 days in FY23 driven by an inventory cycle of 81 days and an average collection period of 71 days. Further, the company's creditor's period stood at 61 days in FY23. Further, its average fund based working utilization for the 12 months ended December 2023 stood at around 66% and average non-fund-based utilization for the 12 months ended December 2023 stood high 80%. Gross current assets were 275 days as on March 31, 2023, as against 266 days as on March 31, 2022.

Geographical and Client Concentration risk:

The present unexecuted order book of JMMIPL is majorly concentrated in the state of Maharashtra making the company vulnerable to any adverse changes in the political environment or policy matters of the state that would affect all the projects of the concerned state. However, the company's adequate experience to execute projects in the state and also operating in a concentrated geography provides efficient control and reduces the logistical expense to some extent.

The company's top 10 customers made up 92% of the revenues in FY23 and 94 % of the revenues in FY22. JMMIPL's has reputed clientele namely MSRDC, PWD Maharashtra, Central Railway, NHAI, JNPT, MSRDC, CIDCO, etc. Any deterioration in financial risk profile of these entities would impact on the operational performance of the company.

Tender-based nature of operations with intense competition in the industry

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in



Press Release

execution, delay in payments from the government, fluctuating input costs etc. Further, since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. Being a regional player, JMMIPL executes projects largely in Maharashtra. thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies. JMMIPL has added Rs. 917 crores of new orders in FY24 (Rs. 715.35 crores in FY23). The ability to add new orders and to maintain a sufficient order book to sustain growth in revenues will be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology – Infrastructure Companies](#)

[Criteria of assigning rating outlook](#)

[Criteria on Default Recognition](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company is expected to generate adequate gross cash accruals in the projected period FY24-26 as against scheduled debt repayments during the same period. The average fund based working capital utilization for the 12 months ended December 2023 stood moderate at around 66% which provides limited liquidity buffer. The company also has cash and cash equivalents of Rs.39.62 crores as on March 31, 2023.

About the company

J M Mhatre Infra Private Limited (JMMIPL) is a Panvel (Raigad), Navi Mumbai based company. It has been in construction activities for more than 37 years and is a registered class 'AA' contractor with Maharashtra State PWD. The area of operation of the company includes construction of flyovers, bridges, ports, railway projects, airport works, sewerage treatment plants, tunnelling, earthwork, stone quarrying, rock excavation in hilly areas for roads and railway tracks, concrete road and flexible asphaltic pavements with special soil sub-base treatment, interlock pavements using latest machinery and equipment, container freight stations etc.



Press Release

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	1135.69	1187.70
EBITDA	120.87	119.04
PAT	61.29	41.59
Total Debt	239.02	276.61
Tangible Net worth	457.07	503.06
Ratios		
EBITDA Margin (%)	10.64	10.02
PAT Margin (%)	5.32	3.46
Overall Gearing Ratio (x)	0.52	0.55

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

India Ratings vide their press release dated July 24,2023 has continued to maintain the rating of J M Mhatre Infra Private Limited in the issuer non cooperating category as the issuer did not participate in the surveillance exercise.

Brickworks Ratings vide their press release dated September 07,2023 has continued to maintain the rating of J M Mhatre Infra Private Limited in the issuer non cooperating category as the issuer did not participate in the surveillance exercise.

Any other information: Nil

Rating History for last three years:

Sr · No.	Name of Instrument/Fac ilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstand ing (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	45.71	IVR BBB+ / Stable	-	-	-
2.	Cash Credit	Long Term	90.00	IVR BBB+ / Stable			
3.	Bank Guarantee	Short Term	375.00	IVR A2			



Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based facility – Term Loan	--	--	July 2026	11.49	IVR BBB+ / Stable
Long term fund-based facility – Term Loan	--	--	January 2027	3.89	IVR BBB+ / Stable
Long term fund-based facility – Term Loan	--	--	June 2026	1.59	IVR BBB+ / Stable
Long term fund-based facility – Term Loan	--	--	Sept. 2026	1.24	IVR BBB+ / Stable
Long term fund-based facility – Term Loan	--	--	January 2036	26.50	IVR BBB+ / Stable
Long term fund-based facility – Term Loan	--	--	April 2026	1.00	IVR BBB+ / Stable
Long term fund-based facility – Cash Credit	--	--	--	90.00	IVR BBB+ / Stable
Short term non-fund-based facility – Bank Guarantee	--	--	--	375.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-JMMIPL-mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.