

# J. Kumar Infraprojects Ltd.

We dream ... So we achieve...

Regd. Off.: 16-A, Andheri Industrial Estate, Veera Desai Road, Andheri (W), Mumbai - 400053. INDIA  
Ph.: +91-22-6774 3555. Fax+91-22-2673 0814. E-mail : info@jkumar.com Website : www.jkumar.com  
CIN No. : L74210MH1999PLC122886



**J. Kumar**

ISO 9001:2008  
ISO 14001:2004  
OHSAS 10001:2007

15<sup>th</sup> May 2017

The General Manager  
Department of Corporate Services  
BSE Limited  
Mumbai Samachar Marg  
Mumbai - 400 001  
Fax: 2272 2037 / 39 /41/61

The Listing Department  
National Stock Exchange of India Ltd  
Exchange Plaza, Plot No.C/1, G- Block  
Bandra- Kurla Complex, Bandra East  
Mumbai-400 051  
Fax No.26598237/8238

**Scrip Code: JKIL**

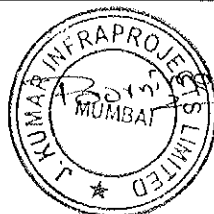
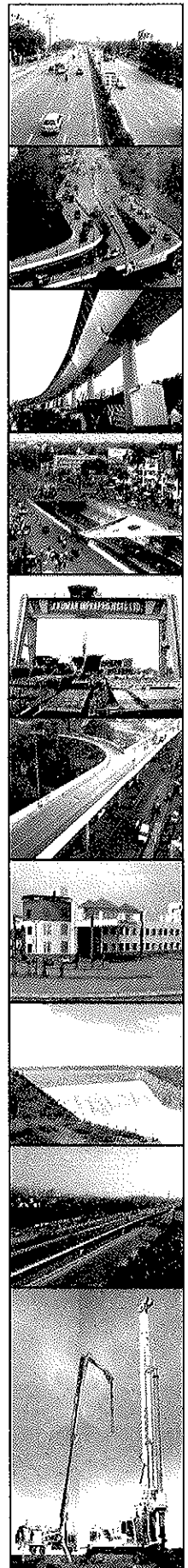
Dear Sir,

Sub: Disclosure of India Ratings on the Fund and Non Fund base limits of the Company.

We herewith enclose the ratings of India Ratings and Research Private Limited:

India Ratings has revised J Kumar Infraprojects Ltd's (JKIL) Outlook to Negative from Stable while affirming its Long-Term Issuer Rating at 'IND A+'. The instrument-wise rating actions are as follows.

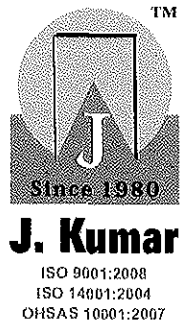
| Instrument Type       | Maturity Date | Size of Issue (million)              | Rating/Outlook  | Rating Action |
|-----------------------|---------------|--------------------------------------|-----------------|---------------|
| Term loans            | FY16-FY22     | INR2,260 (increased from INR663)     | IND A+/Negative | Affirmed      |
| Fund-based limit      | -             | INR4,200 (reduced from INR4,700)     | IND A+/Negative | Affirmed      |
| Non-fund-based limit  | -             | INR20,680 (increased from INR13,250) | IND A1          | Downgraded    |
| Commercial paper (CP) | -             | INR250                               | IND A1          | Downgraded    |
| Proposed term loans*  | -             | INR300                               | Provisional IND | Assigned      |



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|                                |   |          | A+/Negative             |     |          |
|--------------------------------|---|----------|-------------------------|-----|----------|
| Proposed fund-based limit*     | - | INR973   | Provisional A+/Negative | IND | Assigned |
| Proposed non-fund-based limit* | - | INR1,630 | Provisional A1          | IND | Assigned |

\*The ratings are provisional and shall be confirmed upon the sanction and execution of loan documents for the above facilities by JKIL to the satisfaction of Ind-Ra.

The Outlook revision reflects a project concentration in the order book and uncertainty about new order inflows. The uncertainty is due to the deregistration of JKIL by Municipal Corporation of Greater Mumbai (MCGM).

## RATING SENSITIVITIES

**Positive:** The following jointly could lead to an Outlook revision to Stable.

- Substantial order inflow reducing order book concentration.
- Absence of time and cost overruns in the Mumbai Metro line 3 project.
- Net leverage below 2x on a sustained basis

**Negative:** The following individually or jointly could result in a rating downgrade.

- Absence of substantial order inflow to reduce order book concentration due to deregistration by MCGM.
- Time and cost overruns in the Mumbai Metro line 3 project.
- Net leverage above 2x on a sustained basis

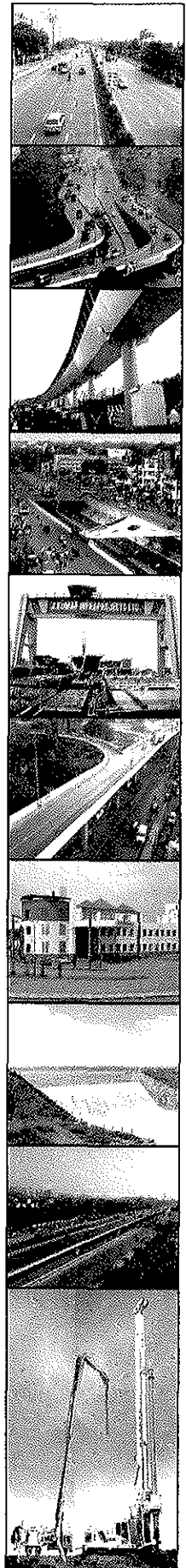
We would request you to please take on record the above and post the same on your website for dissemination to the public.

Kindly acknowledge the receipt.

Yours faithfully

For J. Kumar Infraprojects Ltd

*Poornima*  
Poornima Reddy  
Company Secretary



## India Ratings Revises J Kumar Infraprojects' Outlook to Negative; Affirms 'IND A+'; Rates Proposed Bank Loans

Ind-Ra-Mumbai-6 May 2017: India Ratings has revised J Kumar Infraprojects Ltd's (JKIL) Outlook to Negative from Stable while affirming its Long-Term Issuer Rating at 'IND A+'. The instrument-wise rating actions are as follows.

| Instrument Type                | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (million)              | Rating/Outlook              | Rating Action |
|--------------------------------|------------------|-------------|---------------|--------------------------------------|-----------------------------|---------------|
| Term loans                     | -                | -           | FY16-FY22     | INR2,260 (increased from INR663)     | IND A+/Negative             | Affirmed      |
| Fund-based limit               | -                | -           | -             | INR4,200 (reduced from INR4,700)     | IND A+/Negative             | Affirmed      |
| Non-fund-based limit           | -                | -           | -             | INR20,680 (increased from INR13,250) | IND A1                      | Downgraded    |
| Commercial paper (CP)          | -                | -           | -             | INR250                               | IND A1                      | Downgraded    |
| Proposed term loans*           | -                | -           | -             | INR300                               | Provisional IND A+/Negative | Assigned      |
| Proposed fund-based limit*     | -                | -           | -             | INR973                               | Provisional IND A+/Negative | Assigned      |
| Proposed non-fund-based limit* | -                | -           | -             | INR1,630                             | Provisional IND A1          | Assigned      |

\* The ratings are provisional and shall be confirmed upon the sanction and execution of loan documents for the above facilities by JKIL to the satisfaction of Ind-Ra.

The Outlook revision reflects a project concentration in the order book and uncertainty about new order inflows. The uncertainty is due to the deregistration of JKIL by Municipal Corporation of Greater Mumbai (MCGM).

### KEY RATING DRIVERS

**Strong But Concentrated Order Book:** JKIL had an order book of INR96.93 billion (6.9x of FY16 revenue) at end-December 2016. The order book is skewed towards projects with higher complexity and is concentrated primarily in Maharashtra (94%). The top three customers accounted for 88% of the order book, indicating a customer concentration risk. Moreover, the line 3 and line 2 metro projects in Mumbai accounted for 50% and 13.4%, respectively, of the order book, indicating a project concentration risk.

**De-registration by MCGM:** MCGM has deregistered and, hence, barred JKIL, along with its directors, from competing, contracting, and carrying out work for its departments for seven years, effective 24 March 2017. The share of MCGM projects/receivables in JKIL's outstanding order book is 5%, while that of receivables is nil. However, EBITDA and cash flow could be affected owing to a claim/penalty and/or an order to rectify irregularities. In FY17, Bombay High Court cancelled two projects awarded by MCGM to JKIL. Any legal outcome or regulatory changes impacting JKIL's participation in contracts/bids could adversely affect its future order book. Excluding Mumbai Metropolitan Region Development Authority, MCGM and Mumbai Metro Rail Corporation projects, the order book stands at about INR34 billion (2.44x of FY16 revenue).

**Delhi Metro Project Execution Risks:** The completion of the two DMRC packages (CC20 and CC24) in Delhi has been deferred due to delayed handover of project site and design and architecture approvals at one of the stations under CC24 (the Ashram station). JKIL has completed underground tunnelling work, while the construction of stations is underway. JKIL expects to complete project work, except the Ashram station, by June 2017, with the Ashram station likely to be completed by December 2017. JKIL could face project execution-related risks (such as time and cost overruns) until the project is completed. At end-January 2017, JKIL had achieved 83% and about 97% completion in CC24 and CC20, respectively.

**Credit Profile:** In FY16, net interest coverage (operating EBITDAR/net interest expense + rents) was 5.20x (FY15: 3.89x) and net leverage (total adjusted net debt/operating EBITDAR) was 0.36x (2.40x). Ind-Ra expects credit metrics to deteriorate over FY17-FY18 due to debt-funded capex, though the indicators would be comfortable for ratings. Revenue grew 4.9% yoy to INR14.09 billion in FY16. Although the recently commenced metro projects in Mumbai (line 3, line 2 and line 7) are likely to provide a healthy revenue visibility for the next few years, EBITDA margin improvement is likely to be gradual during the construction period, once tunnel construction begins. Moreover, any time and cost overruns in new projects could constrain the margin improvement. Gross interest coverage was 3.71x, revenue was INR10.82 billion and EBITDA margin was 17.3% in 9MFY17. Ind-Ra estimates net leverage to have stood at 0.61x at FYE17.

**Promoter Track Record:** The promoters have over 30 years' experience in the construction industry. The company has strong presence in Maharashtra.

**Long Working Capital Cycle:** Net working capital cycle elongated to 205 days in FY16 from 190 days in FY15 due to a decline in mobilisation advances for the CC20 and CC24 packages. Average maximum utilisation of working capital limits was about 86% over April 2016-February 2017. Cash and cash equivalent of about INR2,700 million at end-March 2017 provides liquidity. Debt maturity of INR3,545 million over FY18-FY21 is likely to result in marginal refinancing pressure in FY19. Ind-Ra expects JKIL to continue to report a long working capital cycle over the next few years owing to the Mumbai metro projects.

## RATING SENSITIVITIES

**Positive:** The following jointly could lead to an Outlook revision to Stable.

- Substantial order inflow reducing order book concentration
- Absence of time and cost overruns in the Mumbai Metro line 3 project
- Net leverage below 2x on a sustained basis

**Negative:** The following individually or jointly could result in a rating downgrade.

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## RATING CRITERIA

'Corporate Rating Methodology', dated 4 January 2017, is available at [www.indiaratings.co.in](http://www.indiaratings.co.in).

## COMPANY PROFILE

JKIL was incorporated in 1980 as a sole proprietorship concern. It was converted into a public company in 2007 and listed on the BSE and NSE in 2008. JKIL is engaged in transportation engineering, civil construction, irrigation and piling work projects.

## RATING HISTORY

| Instrument Type | Current Rating/Outlook | Historical Rating/Outlook |
|-----------------|------------------------|---------------------------|
|-----------------|------------------------|---------------------------|

|                               | Rating Type | Outstanding Limits (million) | Rating                      | 9 January 2017 | 1 April 2016  | 21 January 2015 |
|-------------------------------|-------------|------------------------------|-----------------------------|----------------|---------------|-----------------|
| Issuer rating                 | Long-term   | -                            | IND A+/Negative             | IND A+/Stable  | IND A+/Stable | IND A/Stable    |
| Term loans                    | Long-term   | INR2,260                     | IND A+/Negative             | IND A+/Stable  | IND A+/Stable | IND A           |
| Fund-based limit              | Long-term   | INR4,200                     | IND A+/Negative             | IND A+/Stable  | IND A+/Stable | IND A           |
| Non-fund-based limit          | Short-term  | INR20,680                    | IND A1                      | IND A1+        | IND A1+       | IND A1          |
| CP                            | Short-term  | INR250                       | IND A1                      | IND A1+        | -             | -               |
| Proposed term loans           | Long-term   | INR300                       | Provisional IND A+/Negative | -              | -             | -               |
| Proposed fund-based limit     | Long-term   | INR973                       | Provisional IND A+/Negative | -              | -             | -               |
| Proposed non-fund-based limit | Short-term  | INR1,630                     | Provisional IND A1          | -              | -             | -               |

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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