Jagdamba Trailers Private Limited

January 15, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	29.26	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	-	Assigned	Simple
Short-term Bank Facilities	20.74 (including proposed limit of 2.74)	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	**50.00 (Rs. Fifty crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Jagdamba Trailer Private Limited (JTPL) considers the common management team and operational & financial linkages between JTPL and its Group company, Jagdamba Structurals (INDIA) Private Limited (JSIPL). Infomerics has taken a combined view of these entities referred together as Jagdamba Group.

The ratings assigned derive strength from the experienced promoters, adequate demand of manufactured products, reputed clientele, continuous increase in scale of operation of the Group coupled with increase in profit level and moderately satisfactory financial risk profile. However, these ratings strengths are partially constrained due to relatively short track record, susceptibility of margins to fluctuations in raw material prices, high working capital intensity of operations and exposure to high competition and cyclicality in the steel industry.

The outlook assigned on the long-term rating is Stable on the back of satisfactory demand outlook of the respective industry coupled with favourable financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in revenue and profitability leading to higher cash accruals.
- Improvement in the capital structure with improvement in TOL/TNW and sustained improvement in debt protection metrics.
- Sustained improvement in liquidity position and operating cycle

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.
- Deterioration in the capital structure with overall gearing ratio.
- Withdrawal of subordinated unsecured loan treated as quasi equity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

Raigarh based Jagdamba Group was promoted by one Mr. Amit Agrawal and a Group of promoters from Chhattisgarh. The promoters have more than around one to three decades of experience and have developed deep understanding of the dynamics of the market, while the directors and second line of management has experience of around and over a decade and has been associated with Group for a long period.

- **Adequate demand of manufactured products**

The companies under the Group have been engaged in steel structure fabrication and commercial vehicles like truck and tippers body fabrication. With the increase in economic activities and thrust on infrastructure expansion, demand of steel structure fabrication and erection is increasing over the past few years. This apart, with the infrastructure boom and increase in civic services, demand of commercial vehicles like truck and tippers and hyva has been increasing which further increases body fabrication works among the heavy automobile industry, which helps to increase scale of companies like JTPL.

- **Reputed clientele**

Jagdamba Group enjoys an association of reputed and established clientele over the years. Underlying Group company, JSIPL, works for industry leaders like Bharat Heavy Electronics Limited, Tata Projects Limited, JSW Severfield Structures Limited, Larsen & Turbo Limited etc. On the other hand, JTPL has obtained approvals for truck and tipper body fabrication from Ashok Layland and Tata Motors. This apart, the company also fabricate heavy vehicles body for other manufactures. All these association and approvals from reputed customers ensured regular demand and minimal default risks.

- **Continuous increase in scale of operation of the Group coupled with increase in profit level**

The scale of operation of the Group has been increasing continuously during last three financial years marked by increase in TOI at a CAGR of ~153% during FY22 (refers to period April 1st, 2021, to Mar 31st, 2022) to FY24 (refers to period April 1st, 2023, to Mar 31st, 2024) and ended up at ~Rs.451 crore on the back of steady demand of commercial vehicles body fabrication from the original manufacturers and demand of steel structure fabrication and erection works coupled with achievement of approval to one of the Group companies from renowned commercial vehicles manufacturers like Ashok Layland and TATA Motors, which enables the Group to supply a steady number of fabricated bodies per month. The Group has already earned a turnover of ~Rs.230 cr during 7MFY25 (provisional, refers to period April 1st, 2024, to Oct. 31st, 2024). Further, being relatively new in the competitive industry, operating margin remained low and range bound over the last three financial years ending in FY24. However, absolute EBITDA and PAT level of the Group has been increasing during last three financial years, where EBITDA level has been increasing at a CAGR of ~84% during last three financial years and ended at ~Rs.20 crore during FY24. Absolute PAT level has been increasing at a CAGR of ~144% and ended at ~Rs.8 crore during FY24.

- **Moderately satisfactory financial risk profile**

Financial risk profile of the company remained moderately satisfactory over last three financial years ending as on March 31, 2024. Considering subordinated unsecured loan of ~Rs.24cr as quasi equity and adding corporate guarantee debt, totalling ~Rs.10cr, of the beneficiary companies to total debt of the Group, capital structure of the Group remained moderately leveraged over last three financial closing debts. However, leverage ratio, marked by overall gearing ratio has improved to 1.61x as on March 31, 2024, from 1.98x as on March 31, 2023, on the back of accretion of profit to reserve coupled with repayment of term loan and a marginal infusion of capital of Rs.0.14 cr in one of the Group companies. JTPL has invested Rs.12.78 crore in JSIPL during current financial year and became largest shareholder of JSIPL as on December 31, 2024. Debt coverage indicator, marked by interest coverage ratio was satisfactory in last three financial years ending in FY24. However, the same declined in FY24 to 2.72x over previous year on account of higher increase in capital charges compared to increase in operating profit. Total debt to NCA, though improving, remained high at 7.21x as on March 31, 2024. Total indebtedness of the company marked by

TOL/TWN has been improving over the years and remained moderate at 2.44x as on March 31, 2024. DSCR was adequate during last three financial years. Liquidity marked by current ratio was adequate at 1.17x as on March 31, 2024.

Key Rating Weaknesses

- **Relatively short track record**

Though the Group companies are incorporated since 2006, the operation started from 2019. Thus the Group has relatively short track record of operation.

- **Susceptibility of margins to fluctuations in raw material prices**

The main raw materials used by the Group are steel plates and coils. Raw material cost is a major contributor to its total operating cost, thereby making profitability sensitive to raw material prices. Further, the major raw material price of the company is prone to witnesses frequent price fluctuations. Thus, any adverse change in the prices of the raw material may affect the profitability margins of the Group.

- **High working capital intensity of operations**

The operation of the Group is working capital intensive. In FY24 the working capital intensity was 18% compared to 16% in FY23 (refers to period April 1st, 2022, to Mar 31st, 2023). Operating cycle elongated marginally from 40 days in FY23 to 44 days in FY24. That was primarily because of increase in collection period, which further resulted in high utilisation of fund based working capital limits to the tune of 87% for the 12 months ended November 2024.

- **Exposure to high competition and cyclicality in the steel industry**

Jagdamba Group majorly generates revenue from the states of Maharashtra, Chhattisgarh and Odisha and faces stiff competition from not only established players, but also from the unorganised sector due to low level of product differentiation. Further, the end user industries like infrastructure and automobile are also cyclical in nature and witnessed prolonged periods where it faced a downturn due to economic slowdown or change in Government policies.

Analytical Approach: Combined

For arriving at the rating, Infomerics has combined the financial risk profiles of Jagdamba Structurals (India) Private Limited (JSIPL) and Jagdamba Trailer Private Limited (JTPL), commonly referred as Jagdamba Group, as these entities are run under a common management and have operational linkages and cash flow fungibility. Further, during current financial year of FY25, JSIPL became subsidiary of JTPL.

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Consolidation of Companies

Liquidity – Adequate

Jagdamba Group has earned a gross cash accrual of Rs. 10.54 crore in FY24. Further the Group is expected to earn a gross cash accrual in the range of ~Rs. 19- 30 crore as against its debt repayment obligations around ~Rs.2 - 4 crore during FY25-27. Accordingly, the liquidity position of the Group is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained high at ~87% during the past 12 months ended November 2024 indicating low liquidity cushion.

About the Company

Chhattisgarh based Jagdamba Group promoted by one Agrawal family based in Raigarh. Currently both the underlying entities are engaged in fabrication and erection of steel structures and truck bodies. The flagship entity of the group is Jagdamba Trailers Private Limited (JTPL), incorporated in 2010 in Raigarh, Chhattisgarh. JTPL is a manufacturer and assembler of truck, tripper and trailers bodies and also engaged in fabrication and erection of streel structures. The company has set up its manufacturing unit in Raigarh with an installed capacity of 2500 units per annum.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	279.85	379.76
EBITDA	6.63	12.62
PAT	2.82	5.75
Adjusted Total Debt	42.58	52.99
Adjusted Tangible Net Worth	18.55	26.08
EBITDA Margin (%)	2.37	3.32
PAT Margin (%)	1.01	1.51
Adjusted Overall Gearing Ratio (x)	2.30	2.03
Interest Coverage (x)	3.78	3.56

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: CRISL vide its press release dated September 25, 2024 has moved the rating under Issuer Not Cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Term Loan	Long Term	3.33	IVR BBB-/ Stable	-	-	-
2.	GECL	Long Term	0.93	IVR BBB-/ Stable	-	-	-
3.	Cash Credit	Long Term	25.00	IVR BBB-/ Stable	-	-	-
4.	BG/LC	Short Term	18.00	IVR A3	-	-	-
5.	Proposed Non-Fund Based Limit	Short Term	2.74	IVR A3	-	-	-

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Press Release

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.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	Dec. 2027	1.22	IVR BBB-/ Stable
Term Loan 2	-	-	-	Jun. 2026	2.11	IVR BBB-/ Stable
GECL	-	-	-	Nov. 2026	0.93	IVR BBB-/ Stable
Cash Credit	-	-	-	-	25.00	IVR BBB-/ Stable
BG/LC	-	-	-	-	18.00	IVR A3
Proposed Non-Fund Based Limit	-	-	-	-	2.74	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len_Jagdamba_Trailers_15jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the Company	Consolidation Approach
Jagdamba Structurals (INDIA) Private Limited	Full combined
Jagdamba Trailers Private Limited	Full combined

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