Press Release

JCL Infra Private Limited [JIPL]

January 10, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.50 (Enhanced from 7.50)	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Upgraded and Removed from Issuer not cooperating category	Simple
Short Term Bank Facilities	61.00 (Enhanced from 46.00)	IVR A3 (IVR A Three)	Upgraded and Removed from Issuer not cooperating category	Simple
Total	**86.50**	**(INR Eighty-Six crore and Fifty Lac Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The upgradation and removal from INC of ratings to the bank facilities of JCL Infra Private Limited takes into account Long track record of operations, Experienced Management, Reputed Clientele such as Indian railways, Dedicated Freight Corridor Corporation of India Ltd and U.P State Bridge Corporation Ltd. Improved scale of operations and profitability, Comfortable Gearing ratio which stood at 0.95 times as on 31 March 2023. The ratings also continues to take into consideration the healthy Order Book position which stood at ~661.00 crores giving medium term revenue visibility. The ratings, however, are constrained by Susceptibility to volatility in raw material prices, intense competition in the industry, Tender driven nature of business inability to secure the same can impact revenues.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Long track record of operations

The Company has been engaged in fabrication for over 40 years in the field of Railway track components such as Switches, Switch Expansion Joints etc. and fabrication and erection of Steel Girder Bridges – Plate Girders as well as Open Web Girders.

Experienced Management

Mr. Ajai Kumar Gupta is the Managing Director of the Company. He has been a member of IRC Code Committee for Bridge Bearing and Expansion Joints and Ex. Vice President (I.R.C.). He has around 30+ years of experience in the field.

Reputed Clientele

The Company has reputed list of clientele to its credit viz. Indian Railways, TATA Projects, U.P. State Bridge Corporation Limited Unit, U.P. Jal Nigam, DFCC etc. However, top 5 customers in FY23 contributed ~99% of the total revenue, leading to a concentrated revenue profile.

Improved scale of operations and profitability

Over a period of last 5 years, the Company's total income from operations shows an increasing trend with revenue of INR 55 Crore in FY19, INR 107 Crore in FY20 (recording a rise of 93%). Thereafter, it increased further by 7.5% in FY21 to INR 115 Crore. And by ~6.00% to INR 120 crore in FY23. The EBITDA margin has been improving constantly from 8.87%, 9.57% and 11.58% in FY19, FY20 & FY21 respectively and currently stood at 10.67% in FY23. The improvement in margin in FY21 is due to a reduction in raw material consumption cost. Resultantly, PAT margin also improved from 3.51% in FY20 to 5.89% in FY21 and further increased to 8.44% in FY23.

Comfortable Gearing ratio

The Overall Gearing ratio of the Company is comfortable and marginally reduced from 0.57x as at FY22 to 0.95x as at FY23 also the TOL/TNW of the Company deteriorated from 1.23x as at FY22 to 1.65x as at FY23 due to increase in total debt. The interest coverage ratio remains comfortable & although reduced from 7.07x in FY22 to 6.34x in FY23 on account of increase in borrowings resulting increase in interest cost from INR 1.77 crore to INR 2.02 crore in FY'23. The DSCR stood at comfortable level at 5.06x in FY23 in comparison to 2.82x in FY22.

Healthy Order Book position

The Company has a healthy order book worth INR 661.31 Crore to be executed. This constitutes 5.51 times of FY23 revenues. (Rails order – INR 75.71 Crore & steel girders – INR 585.60 Crore).

B. Key Rating Weaknesses

Susceptibility to volatility in raw material prices

The profitability of the Company is exposed to variations in raw material prices. However, the same is mitigated to certain extent as JCL has long term relations with major suppliers.

Competition

The industry is characterized by competition from various players to tap the market share at competitive pricing strategy. Due to intense competition in domestic as well as overseas market, there is pressure on Company's scalability, pricing and profitability. However, the same is mitigated to a certain extent owing to long-standing business relationship with market leaders in related industries.

Tender driven nature of business

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based as company bid success rate is ~20%.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for assigning rating Outlook

Liquidity – Adequate

The Company has been earning a moderate level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The unencumbered cash and bank balances remained at Rs. 1.42 crores as on 31st March 2023. The average utilization of working capital limits remained at 83.23% during the 12 months ended June 30, 2023. The company expects sufficient cushion in its cash accruals against its debt obligations. The Gross Cash accruals improved from INR 8.05 Crore as at FY22 to INR 11.86 Crore as at FY23 as against minimal long term loan repayments. The Current ratio is ~ 1.90x in both FY22 & FY23. However, operating cycle elongated from 82 days in FY22 to 157 days in FY23 due to elongation in raw material holding period. Overall, the liquidity position of the company is Adequate.

About the Company

JCL Infra Private Limited is incorporated in 1980. company is engaged in fabrication for over 40 years in the field of Railway track components such as Switches, Switch Expansion Joints etc. and fabrication and erection of Steel Girder Bridges – Plate Girders as well as Open Web Girders.

Financials (Standalone): (Rs. Crore)

For the year ended/As on*	31-03-2022	31-03-2023
	Audited	**Audited**
Total Operating Income	117.01	120.13
EBITDA	12.55	12.82
PAT	6.44	10.48
Total Debt	23.12	48.77
Tangible Net Worth	40.73	51.10
Ratios		
EBITDA Margin (%)	10.72	10.67
PAT Margin (%)	5.50	8.44
Overall Gearing Ratio (x)	0.57	0.95

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings vide its press release dated November 28, 2022, has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Rating history

Sl. No.	Name of Instrument / Facilities	Rating History for the past 3 years					
		Type	Amount outstanding (Rs. crore)	Rating as on 08.01.2024	Date(s) & Rating(s) assigned in 2023-24 Oct 04, 2023	Date(s) & Rating(s) assigned in 2022-23, Aug 16, 2022	Date(s) & Rating(s) assigned in 2021-22, Dec 20, 2021
1.	Cash Credit	Long Term	25.50	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	IVR BB+/Negative; ISSUER NOT COOPERATING [IVR Double B plus with Negative Outlook; Issuer Not Cooperating]	IVR BBB-/ Stable [IVR Triple B minus with Stable Outlook]	IVR BBB-/ Positive Outlook [IVR Triple B Minus with Positive Outlook]
2.	Bank Guarantee	Short Term	61.00	IVR A3 (IVR A Three)	IVR A4+; ISSUER NOT COOPERATING (IVR A four plus; Issuer Not Cooperating)	IVR A3 [IVR A Three]	IVR A3 [IVR A Three]

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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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partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	18.00	IVR BBB-/ Stable
Cash Credit	-	-	-	7.50	IVR BBB-/ Stable
Performance Bank Guarantee	-	-	-	60.00	IVR A3
Letter of Credit				1.00	IVR A3

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

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-JCL-jan24.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.