



Press Release

JCL Infra Private Limited (JCL)

August 16, 2022

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	7.50	IVR BBB-/ Stable [IVR Triple B minus with Stable Outlook]	Rating Reaffirmed and Outlook revised from Positive to Stable	Simple
2	Short Term Bank Facilities	46.00	IVR A3 [IVR A Three]	Rating Reaffirmed	Simple
	Total	53.50			

Details of facilities are in Annexure 1

Rating Rationale

The revision in the outlook from positive to stable is on account of reporting of lower than envisaged total operating income, profitability as well as inferior than envisaged capital structure and debt coverage indicators.

The reaffirmation in the rating of the bank facilities of JCL Infra Pvt Ltd derives strength from long track record of its operations, experienced Management, reputed clientele, sustained albeit modest scale of operations and moderate profitability, moderate capital structure and debt coverage indicators and healthy order book. The rating is however constrained by susceptibility of profitability to volatility in raw material prices, intense Competition from other players, client concentration risk and tender driven nature of business.

Key Rating Sensitivities:

➤ Upward Rating Factor:

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

➤ Downward Rating Factor:



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

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations

The company has been engaged in fabrication business activity 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 albeit client concentration

The Company has reputed list of clientele to its credit viz. Indian Railways, TATA Projects, U.P. State Bridge Corporation Limited Unit, Dedicated Freight Corridor Corporation of India Limited etc. However, top 4 customers in FY22 contributed ~99% of the total revenue, leading to a concentrated revenue profile.

Sustained albeit modest scale of operations and moderate profitability

Over a period of last 4 years, the Company's total income from operations has shown an increasing trend with revenue of Rs. 55.50 Crore in FY19, Rs. 107 Crore in FY20, (recording a rise of 93%). Thereafter, it increased further by 7.5% in FY21 to Rs. 115 Crore and further in FY22(Prov.) despite disruption in operational activities in Q1 FY22 on account of shortage of oxygen supplies. The company has shown increase of ~1.5% in TOI to Rs. 117.00 Crores in FY22(Prov.). However, other profitability ratios of the company have remained in line with that of previous fiscal years marked by EBITDA margin of 11.09% for FY22(Prov.) and PAT Margin of 5.90% for FY22(Prov.). The GCA of the company remained at Rs. 8.21 crores as for FY22 compared to Rs. 8.01 crores in FY21.

Moderate capital structure and debt coverage indicators:



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The capital structure of the Company remained moderate marked by overall gearing of 0.56x as on March 31, 2022, as compared to 0.46x as on March 31, 2021. TOL/TNW of the company also remained at 1.30x as on March 31, 2022, compared 1.16x as on March 31, 2021. ISCR of the company remained moderate at 5.13x for FY22(Prov.) compared to 5.50x in FY21 and Total Debt/GCA of the company remained at 2.79x for FY22(Prov.) compared to 1.96x for FY21.

Healthy Order Book

The Company has a healthy order book worth INR 159.27 Crore to be executed as on June 30, 2022. This constitutes 1.36 times of FY22(Prov.) revenues. (Rails order – Rs. 8.52 Crore & steel girders – Rs. 150.75 Crore).

Key Rating Weaknesses

Susceptibility of profitability 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.

Intense Competition from other players

The infrastructure sector is characterized by competition from various players to tap the market share at competitive pricing strategy. JCL faces direct competition from various railway approved players in the market. 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 its clients.

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.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of 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. 1.79 crores as on 31st March 2022. The average utilization of working capital limits remained at 89.56% during the 12 months ended June 30, 2022. The company expects sufficient cushion in its cash accruals against its debt obligations. The GCA has improved to Rs.8.21 Crore in FY22(Prov.) as against minimal long term loan repayments. The Current ratio stood comfortable at 1.54x as of March 31, 2021 & 1.50x as at March 31, 2022. However, operating cycle elongated from 79 days in FY21 to 84 days in FY22 due to elongation in collection period. Overall, the liquidity position of the company is Adequate.

About the Company

JCL Infra was established in 1980 and is engaged in the field of fabrication activity for railway track components such as switches, switch expansion joints and fabrication and erection of steel girder bridges—plate girders as well as open web girders. JIPL is approved by research design and standards organisation for manufacturing switches, switch expansion joint and fabrication and supply of bridge girders both welded and riveted, which was based on verification of the fabricators, infrastructure and test facilities installed at their works. JIPL is also approved by MORT&H (Ministry of Road Transport & Highways, Government of India) to manufacture and supply all types of bridge bearings such as POT-PTFE bearing, and elastomeric neoprene bearings and metallic bearings.

Financials (Standalone)

INR in Crore



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For the year ended* As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	115.10	117.00
EBITDA	13.33	12.98
PAT	6.79	6.91
Total Debt	15.68	22.94
Tangible Net Worth	34.42	41.33
EBITDA Margin (%)	11.58	11.09
PAT Margin (%)	5.89	5.90
Overall Gearing Ratio (x)	0.46	0.56

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: JCL Infra Pvt Ltd has been moved to INC by Brickwork Ratings as per Press Release dated December 06, 2021, due to unavailability of information.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (December 20,2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (February 05,2020)
Long Term Bank Facility- Cash Credit	Long Term	7.50	IVR BBB-/ Stable	IVR BBB-/Positive	-	-
Short Term Bank Facility	Short Term	46.00	IVR A3	IVR A3	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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 – Cash Credit	-	-	-	7.50	IVR BBB-/ Stable
Short Term Non-Fund Based Facility-Bank Guarantee	-	-	-	45.00	IVR A3
Short Term Non-Fund Based Facility-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-Infra-aug22.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.