



## Press Release

### JTL Infra Limited

July 21, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	42.00	IVR A-/Positive Outlook (IVR Single A Minus with Positive Outlook)	Assigned
Short Term Bank Facilities	10.00	IVR A2+ (IVR A Two Plus)	Assigned
<b>Total</b>	<b>52.00</b> <b>(Fifty Two Crores Only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of JTL Infra Limited draw comfort from extensive experience of promoters and long track record of operations of the company. The rating also factors its increase in scale of operations, comfortable financial risk profile, improved operating cycle and diversified business operations. However, these strengths are partially offset by susceptibility of operating margin to volatility in raw material prices, intense competition and limited pricing flexibility in steel tubes & structural steel industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant and sustained growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with further improvement in debt protection metrics

##### Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile
- Any further significant rise in working capital intensity or unplanned capex leading to further deterioration in the liquidity position.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Extensive experience of the promoters and established track record of operations**

JTL Infra Limited is promoted by Mr. Mithan Lal Singla, Mr. Madan Mohan, Mr. Vijay Singla and Mr. Rakesh Garg. The Promoters have rich experience of almost three decades into the steel tubes & structural steel industry. The Board of Directors comprises eminent persons from the field of finance, economics, banking and industrial engineering. Further, Company has an operational track record of almost 30 years. Longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers and suppliers, withstand industry cycles, diversify the product profile, and expand capacity.

##### **Increase in Scale of Operations**

The Scale of operations increased significantly in FY21 compared to FY20. The Operating Income increased to Rs.435.76 Crores in FY21 from Rs.229.93 Crores in FY20. EBITDA increased to Rs.32.79 Crores in FY21 as against Rs.16.42 Crores in FY20. PAT increased to Rs.20.06 Crores in FY21 as against Rs.10.08 Crores in FY20.

##### **Comfortable Financial Risk Profile**

The financial risk profile of the company is comfortable marked by satisfactory Tangible Net worth base of Rs.96.91 Crores FY21 as against Rs.61.10 Crores in FY20. The Overall gearing improved to 0.65x in FY21 as against 0.95x in FY20. The debt protection metrics is above average marked by ICR & DSCR of 3.79x & 3.49x in FY21 as against 5.54x & 4.71x in FY20. TOL/TNW improved to 1.16x in FY21 as against 1.29x in FY20.

##### **Diversified Business Operations**

Company has three manufacturing units, two units located in Punjab and one unit in Maharashtra. Further, Company generates revenue from three segments i.e. from government orders, other domestic orders and export orders. Hence any downtrend in revenue across any of the segments do not affect overall operations much. Hence the customer concentration risk is low. The Company has foreign exchange risk management system in place under which it optimizes the risk using various hedging activities. The



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Company uses derivative financial instruments, such as forward contracts to hedge its foreign currency exposures. Overall, the business risk of the company is low.

### **Improvement in Operating Cycle**

Cash conversion cycle improved to 84 days in FY21 (PY: 125 days). The average collection period is 61 days (PY:84 days) and average inventory holding period stands at 43 days (PY: 55 days) in FY21. The average creditors period stands at 20 days in FY21 as against 15 days in FY20. The Company is able to fund its working capital requirement on the back of favourable market demand. The Operating Cycle is expected to further improve during the projected period.

### **Key Rating Weaknesses**

#### **Profitability susceptible to volatility in raw materials prices**

Since, the raw material is the major cost driver (constituting about 87 to 90% of the total cost) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices but there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

#### **Intense competition and limited pricing flexibility in steel industry**

The Steel tubes & structural steel Industry is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition. Further, the domestic steel industry is cyclical in nature, which is likely to impact the cash flows of the long product manufacturers including JTLIL. JTLIL's competitive position is supported by its diversified manufacturing locations, diversified product profile with presence across various customer segments.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)



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### **Liquidity – Adequate**

Company has generated a cash accrual of Rs.22.01 Crores in FY21 against the negligible debt repayment obligations of Rs.0.13 Crore. Further, JTLIL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. Average Utilization of bank limits for last 8 months ended May, 2021 stood at ~80% indicating some buffer to meet incremental requirements. Further, company has reported adequate current ratio at 1.81x as on March 31, 2021 to meet its near-term cash requirements. All the factors reflect adequate liquidity position of the company.

### **About the Company**

JTL Infra Limited was incorporated in the year 1991 having registered office in Chandigarh, Punjab. JTL Infra Limited is the flagship company of the Jagan Group which is one of the leading groups in the field of manufacturing of steel pipes & tubes. The Group has two more companies in the same line of business i.e. Chetan Industries Limited and Jagan Industries Private Limited. The Group caters to the domestic market as well as overseas export market.

JTL Infra Limited is engaged in the manufacturing of black and galvanized ERW steel pipes & tubes, hollow sections and structural steel that are extensively used in major engineering and construction projects. Company has three manufacturing units, two units located in Punjab, and one located in Maharashtra. The Company is a registered start export house. Company is listed on BSE India and Metropolitan Stock Exchange of India.

### **Financials (Standalone):**

**(Rs. Crore)**

<b>For the year ended* / As on</b>	<b>31-03-2020 (Audited)</b>	<b>31-03-2021 (Audited)</b>
Total Operating Income	229.93	435.76
EBITDA	16.42	32.79
PAT	10.08	20.06
Total Debt	58.16	63.11
Tangible Net worth	61.10	96.91
EBIDTA Margin (%)	7.14	7.52
PAT Margin (%)	4.33	4.56
Overall Gearing Ratio (x)	0.95	0.65

\* Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** India Ratings in its press release dated May 18, 2018 has migrated the rating of JTL Infra Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

**Any other information:** Mr. Bhupinder Nayyar who is a member of the Rating Committee is also on the Board of JTL Infra Limited. However, Mr. Nayyar did not participate in the entire rating exercise, including the rating decision.

### Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities – Cash Credit	Long Term	42.00	IVR A-/Positive Outlook (IVR Single A Minus with Positive Outlook)	-	-	-
2.	Fund Based Bank Facilities-PC/PCFC (Sub limit of CC)	Short Term	(15.00)	IVR A2+ (IVR A Two Plus)	-	-	-
2.	Non Fund Based Bank Facilities – Letter of Credit	Short Term	10.00		-	-	-
3.	Non Fund Based Facilities-Bank Guarantee (Interchangeability with LC)	Short Term	(5.00)		-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments





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rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 Bank Facilities- Cash Credit	-	-	-	42.00	IVR A-/Positive Outlook (IVR Single A Minus with Positive Outlook)
Short Term Fund Based Bank Facilities- PC/PCFC (Sub limit of CC)	-	-	-	(15.00)	IVR A2+ (IVR A Two Plus)
Short Term Non Fund Based Facilities- Letter of Credit	-	-	-	10.00	
Short Term Non Fund Based Facilities- Bank Guarantee (Interchangeability with LC)	-	-	-	(5.00)	

### Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/JTLInfra-lenders-21jul2021.pdf>