Press Release

Jai Ambey Roadlines Pvt.Ltd

April 26, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	86.35 (enhanced from Rs. 67.00 Crore)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	Reaffirmed/Assigned	Simple
Short Term Bank Facilities	47.00 (Enhanced from Rs. 36.00 Crore)	IVR A3	IVR A3	Reaffirmed/Assigned	Simple
Total	**133.35**	**Rupees One thirty three Crores and thirty Five Lakhs only**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed/assigned the long/Short Term rating to IVR BBB- with a Stable outlook & IVR A3 for the bank loan facilities of Jai Ambey Roadlines Pvt. Ltd .

The reaffirmation/assignment of the ratings to the bank facilities of Jai Ambey Roadlines Pvt. Ltd factors in the Improved scale of operations, expected reversal of declining trend in total operating income, satisfactory financial risk profile, adequate order book from reputed clients. However, risks associated with tender driven nature of business., geographical concentration risk, exposure to regulatory risk are some of the rating constraints.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the Jai ambey Roadlines Pvt. Ltd business & financials risk profile will be maintained over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of Jai Ambey Roadlines Pvt. Ltd up to FY23(A), three years projected financials FY24- FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with 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 further impacting the debt coverage indicators and/or further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and long track record of operation

The director Mr. Jogendra Singh has an experience of more than a decade in logistic & transportation business. He looks after sales and marketing of the company by exploiting his wide contacts and relations. His is well supported by Mr. Amendra Singh Thakur and Mr. Dharmendra Singh who are experienced in the similar line of business.

Constant scale of operations in FY23 albeit improvement in Operating Margins.

The total operating income remained flat from Rs.279.42 Crores in FY22 to Rs.278.69 Crores in FY23. However, despite the constant revenue EBITDA increased from Rs. 17.26 Crore in FY22 to Rs. 29.67 Crore in FY23. The Profitability also improved from Rs. 7.00 Crore in FY22 to Rs. 11.97 Crore in FY23. GCA significantly increased to Rs.23.38 Crores in FY23 from Rs.14.11 Crores in FY22. The operating profit margin and net profit margin increased to

10.65% & 4.27%% in FY23 from 6.18% & 2.49% in FY22. The current ratio is average at 1.21x in FY23. Earlier, the company was engaged in private work as well as work order for a shorter period wherein the company was dependent on the commercial vehicle/mining equipments on rental basis or subletting work to others at some margin. Now the company is receiving work order for a longer period i.e. more than 3 years, they have purchased the commercial vehicles/equipments their own for which the company claims the depreciation and interest on term loan is paid by the company and margin of the sub-contractor also remain with the company due to which the margin of the company has increased in spite of same level of turnover.

Strong Order book from reputed Clients

As on Jan 31, 2024, JARPL is having total order book of Rs. 1631.86 crore out of which Rs. 353.99 crore has been executed and unexecuted order book is of Rs. 1,277.87 crore. Most of the order book are from Mahanadi Coalfields Limited which is a major coal producing company of India and it is the subsidiary of Coal India Limited assuring timely payments for executed orders. Majority of the orders are expected to be completed in 2025 – 2026 ensuring medium term liquidity to JARPL.

Adequate Financial Risk Profile

The financial risk profile of the company is marked by adequate capital structure and debt protection metrics. JARPL's TOL/TNW stood at 4.36x as on March 31, 2023, (4.44x as on March 31, 2022) due to increase in the total outside liabilities. Further, overall gearing based on net adjusted TNW stood at 2.05x as on March 31, 2023, (1.57x as on March 31, 2022) due to increase in the total debt. The debt protection metrics remained adequate with Interest coverage ratio of 4.36x in FY23 (4.74x in FY22). Total debt to GCA Stood at 4.22x as on March 31, 2023, (3.88x as on March 31, 2022) due to increase in the total debt level.

Efficient working capital management :

The company's working capital cycle is efficient, marked by its operating cycle of around 15 days FY23 (FY22: 22 days). The company maintains an average inventory of Nil day of various varieties and grades for smooth running of operations. It generally extends 80-100 days credit to its customers and gets 70-90 days credit from its suppliers. Accordingly, its average collection period continued to remain comfortable at 96 days in FY23 (FY22: 83 days).

Key Rating Weaknesses

Tender Driven nature of business

JARPL is a mid-sized operator in the fiercely competitive sector, where projects are chosen based on the bidder's financial strength, necessary experience, and most appealing price. Since there are many contractors, there is intense competition, which leads to aggressive bidding that reduces margins. In the medium run it is anticipated that the government's focus on mining and transportation will be beneficial for players like JARPL.

High customer concentration risk

JARPL is exposed to high customer concentration with around 82.15% of its revenue being derived from the top 3 customers. Moreover, more than 50% of its revenue is derived from 1 customer, namely Gare Pelma -III, Colliers Limited. The company has a long standing relationship with its key customers. The company is engaged in lifting and transportation of coal and minerals business backed by the orders received. Any decline in offtake from its customers will have a huge impact on the company’s sales volume. However, the customer concentration is mitigated to some extent by the established relationship of the company with its customers since its inception.

Presence in a competitive and regulated industry

Coal being a commodity has demonstrated significant volatility in its prices in the past. Coal prices are also governed by global demand-supply factors. The coal trading and transport industry is highly fragmented, with a large number of players, due to the low entry barriers. This has restricted the growth in the company’s margins in these segments. Also, the industry is highly regulated, with the Ministry of Coal governing its operations in the country. Any adverse regulations would impact the operations of the company. Further, the company's business risk profile remains exposed to fluctuations in coal prices and the regulatory policies of the government, and any change in them can have an adverse impact on the business risk profile of the company.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Service Sector entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook
Policy on default recognition

Liquidity – Adequate

Liquidity position of the Company is expected to remain adequate marked by expected gross cash accruals in the range of Rs.38.04 crore – Rs. 112.06 Crore in FY24-FY26 as compared to debt obligation in the range of Rs.27.23 – 23.98 crore in FY24-26. The average utilisation of its working capital facilities is 85.08% in the 12 months ended December 2023, giving it sufficient headroom. JARPL liquidity position remained adequate marked by current ratio of 1.21x as on March 31, 2023.

About the Company

The company is engaged in mining and transportation activities. The main clients of the company are Govt. companies which are subsidiaries of Coal India Limited, NTPC, State Government companies etc.

The company presently has more than Rs.1300.00 crores of unexecuted work orders which will be executed within a period of 2 to 3 years. The company regularly participates in tenders having value of more than Rs.500.00 crores. The focus of the company is to participate in the tenders which are of higher value and for a longer period as the company is now qualifying eligibility criteria for higher value of tenders.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	279.42	278.69
EBITDA	17.26	29.67
PAT	7.00	11.97
Total Debt	54.68	98.77
Tangible Net worth*	30.99	41.97
EBITDA Margin (%)	6.18%	10.65%
PAT Margin (%)	2.49%	4.27%
Overall Gearing Ratio (x)	1.89x	2.50x

Status of non-cooperation with previous CRA : Brickworks ratings in their press release dated April 05, 2024 has classified the case under ISSUER NOT CO-OPERATING status on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : April 24, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 Dated : Feb 28, 2022
1	Term Loan	Long Term	72.35	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	-	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
2	Cash Credit	Long Term	14.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	-	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
3	BG/LC	Short Term	47.00	IVR A3	IVR A3	-	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain
Tel: (011) 45579024
Email: opjain@infomerics.com

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 visit www.infomerics.com

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 Bank Facilities – Term Loan			Sept 2027	72.35	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
Long Term Bank Facilities – Cash Credit			-	14.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)
Short Term Bank Facilities – LC/BG			-	47.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: None

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-JaiAmbey-apr24.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