



Press Release

Jain Engineering Works (JEW)

February 09, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Non-Fund based Bank Facilities - Bank Guarantee	24.23 (increased from 15.00)	IVR BB/ Stable Outlook (IVR Double B Plus with Stable Outlook)	Revised; Removed from ISSUER NOT COOPERATING category	Simple
Proposed Long Term Non- Fund based Bank Facilities - Bank Guarantee	0.77	IVR BB/ Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	25.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the ratings assigned to the bank facilities of Jain Engineering Works reflects overall improvement in the operational & financial parameters in FY21. The overall performance is expected to sustain in FY22 and beyond.

Further the ratings continue to derive strength from its experienced promoters, entry into water management infrastructure development projects, improved operating income with healthy order book position providing revenue visibility and favourable government policies. However, the rating strengths are partially offset by moderate capital structure and debt protection metrics, working capital intensive nature of operation, geographical concentration of order book and clients and supplier concentration risk, susceptibility of operating margin to volatile input prices and execution risk.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in the firm's revenue and/or profitability while maintaining the debt protection parameters.



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Downward Factors:

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced Promoters:

The partners of JEW, Mr Suni Surana possesses extensive experience of over 4 decade in this field whereas Mr. Rishabh Surana has been in the industry for almost a decade. With the experience in engineering sector as EPC Contractor, they have delivered various engineering and civil projects on Turnkey or segment specific basis. In the past they has executed various projects of Government, private sector and MNC entities.

Entry into water management infrastructure development projects:

The firm was a manufacturer and service provider of prefabricated structures. Apart from this it also used to undertake construction of irrigation projects on small scale. But from 2019 onwards it has entered into executing irrigation and drinking water pipeline projects in large scale at Madhya Pradesh and Chhattisgarh. This entry into large projects is expected to provide economies of scale and generate more revenues in coming years.

Improved operating income with healthy order book position providing revenue visibility:

Firm revenues increased by ~31% y-o-y to INR 46.79 Crore in FY21 from INR 35.83 Crore in FY20. Even though EBITDA margin reduced to 15.51% in FY21 from 19.90% in FY20, it remained healthy. The firm has a healthy unexecuted order book of INR 273.99 Crore as on 26th November 2021 with orders across 8 contracts which is about 6.00 times of its FY21 revenue. Majority of the orders are expected to be completed by FY24, indicating a satisfactory near to medium term revenue visibility.

During 9M FY22, the firm has achieved revenue of INR 37.40 Crore (9M FY21: INR 11.22 Crore).

Favourable Government Policies:

Drinking water supply and sanitation has become a prime focus for Government of India and Madhya Pradesh under schemes such as SMART city, AMRUT, Swach Bharat Abhiyan and various development programs run by international development banks. Government of Madhya Pradesh and Chhattisgarh have scaled up their outlays for integrated water supply



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projects for all urban areas and have a mission to cover all rural blocks and villages by 2030 by piped surface water supply schemes which forms a major and continuous business opportunity for the firm. Owing to which, the firm has been able to bag various reputable projects for water supply arrangements & sewage disposal like Simhastha Kumbh Mela 2016 and projects floated by Madhya Pradesh Jal Nigam and Asian Development Bank.

Key Rating Weaknesses:

Moderate capital structure and debt protection metrics:

The capital structure of the firm remained moderate with overall gearing and long debt-equity of 0.28x and 0.03x as on March 31, 2021 compared 0.15x and 0.00x as on March 31, 2020 respectively. The adjusted net worth of firm stood at INR 50.54 Crore as on 31 March 2021 as against INR 50.64 Crore as on 31 March 2020. Total debt increased to INR 13.92 Crore in FY21 from INR 7.49 Crore in FY20. Total Debt / GCA ratio was at 9.48 times in FY2021 (FY20: 5.48x).

Debt protection parameters also remained moderate and same with interest coverage ratio of 1.23x in FY21. Total debt/GCA, interest coverage & other debt protection metrics are expected to remain moderate moving forward.

Working capital intensive nature of operation:

Firm holds high level of inventory, receivables and security deposits. Hence it has to rely on additional credit facilities from the bank for meeting its day-to-day operations. In FY21, firm's operating cycle was high at 158 days as firm have to keep the inventory ready for use.

The firm faces risks in realising revenues from irrigation and drinking water pipeline projects which accounts for majority of its overall revenues. Some of the dam projects that it is executing are budgeted projects through Central/state governments and some are ADB and NABARD funded projects. The receivables realisation is delayed in the budgeted projects. In FY21 Collection Period was at 208 days.

Geographical concentration of order book:

The unexecuted order book remained concentrated with 98.22% from Madhya Pradesh and remaining 1.78% from Chhattisgarh. However, the firm has adequate experience to execute projects in these states and also operating in a concentrated geography provides efficient control and reduces the logistical expense.

Clients and Supplier concentration risk:



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The majority of the firm's revenue and supplies come from its top 5 clients and suppliers respectively making a high concentration risk. The top 5 clients of the firm account for ~96% of the total sales of FY21 and the top 5 suppliers of the firm account for ~96% of the total firm's raw material supplies of FY21.

Susceptibility of operating margin to volatile input prices:

Raw materials used in civil construction activities are usually sourced from large players/dealers at proximate distances. The raw material & labour (including subcontracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the firm is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, presences of escalation clause in most of the contracts protect the margin to an extent.

Execution Risk:

The Firm's operations are susceptible to many external factors such as timely clearances from various regulatory bodies, the handover of sites, the mobilization of funds, the change in governments policies and directives, cost escalation due to departmental delays, labour unrest and climatic vagaries. The effect of any of these could be substantial on the firm's timeline of the completion of projects, working capital utilization level and overall profitability.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for [Infrastructure Companies](#).

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

Liquidity: Adequate

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The average cash credit utilisation was around 93.77% during the last twelve months ended December 2021. The unutilized bank guarantee limit amounting to INR 7.64 Crore as on 31st December 2021. The current ratio stood at 2.20 times as on 31 March 2021. The firm has cash & cash equivalent of INR 1.36 Crore as on 31st March 2021.

About the Company:

Jain Engineering Works (JEW) was founded by Mr Suni Surana, an experienced and qualified Mechanical professional who has a wide experience of over 30 years in the



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industry. It was established in 1988 in the city of Indore, Madhya Pradesh. JEW is registered as “Class-A Contractor in Madhya Pradesh & Chattisgarh”. It is a manufacturer and service provider of PEB (Pre-Engineered Building) Structure, Dam Gates, Industrial Sheds, Prefabricated Structures, PEB Office Cabins and Heavy Fabrication Services. Jain Engineering Works has three in-house facility of heavy engineering design prefabricated structures.

Financials:

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	35.83	46.79
EBITDA	7.13	7.26
PAT	0.82	0.92
Total Debt	7.49	13.92
Adjusted Tangible Net-worth	50.64	50.54
Ratios		
EBITDA Margin (%)	19.90	15.51
PAT Margin (%)	2.29	1.96
Overall Gearing Ratio (x)	0.15	0.28

Status of non-cooperation with previous CRA: Nil

Any other information: NA

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 (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (21/Oct/21)	Date(s) & Rating(s) assigned in 2020-21 (28/Oct/20)	Date(s) & Rating(s) assigned in 2019-20 (02/Dec/19)
1	Long Term Non- Fund based Bank Facilities - Bank Guarantee	Long Term	24.23	IVR BB/ Stable	IVR B+; INC*	IVR BB-/Stable; INC*	IVR BB/ Stable



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2	Proposed Long Term Non- Fund based Bank Facilities - Bank Guarantee	Long Term	0.77	IVR BB/ Stable	--	--	--
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**Issuer did not cooperate; based on best available information.*

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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 (INR Crore)	Rating Assigned/ Outlook
Long Term Non - Fund based Bank Facilities - Bank Guarantee	--	--	--	24.23	IVR BB/ Stable
Proposed Long Term Non - Fund based Bank Facilities - Bank Guarantee	--	--	--	0.77	IVR BB/ Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Jain-Engineering-lenders-feb22.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 <https://www.infomerics.com/>.