



**Press Release**  
**JAGSON INTERNATIONAL LIMITED**  
**January 08, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	45.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	90.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating '**ACUITE BBB (read as ACUITE triple B)**' and short-term rating '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs.90.00 crore bank facilities of **Jagson International Limited (JIL)**. The outlook is '**Stable**'

**Rationale for Reaffirmation**

The rating reaffirmation takes into account improved business risk profile, comfortable financial risk profile and strong liquidity Position. Company reported growth in revenue from operations by ~26% in FY2023 to Rs 222.43 crore as against Rs. 176.17 crore for FY2022. The operating profit margin of the company stood at 51.30 percent in FY 23. Financial risk profile of the company improved with improvement in gearing, strong net worth & improved coverage indicators. The Total Tangible net worth stood at Rs. 1213.85 Cr as on 31st March 2023 as against Rs. 1133.59 Cr a year ago. Interest coverage ratio stood strong at 31.93 times for FY2023 and Debt Service coverage ratio stood at 27.15 times for FY2023. These strengths are underpinned by dip in business performance in H1FY24 due to scheduled major maintenance of two of its rigs and elongated working capital requirement.

Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

**About the Company**

New Delhi based, Jagson International Limited (JIL) was incorporated in 1988 as a private limited company by Mr Jagdish Gupta. It's a family-owned business. JIL is the flagship company of the Jagson group of Companies. JIL is one of the first private sector companies to enter the field of offshore drilling for Oil and Gas exploration. Besides this JIL is also involved in warehousing and storage at ports. JIL has successfully done offshore drilling in the Indian waters for more than a decade. ONGC has been awarding various contracts to JIL for offshore drilling and is currently the sole customer for JIL, against stiff global competition. JIL has successfully drilled wells offshore, up to the depth of 25,000 feet. Company is in process for capital expenditure of Rs~300 crores for new Rig "Sea Challenger" which is expected to boost the revenue of the company substantially in FY 25.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of Jagson International Limited.

## Key Rating Drivers

### Strengths

#### **Experienced promoters, reputed clientele and established business model**

JIL has established presence since 1988 in the field of off-shore drilling for Oil and Gas exploration companies. The company is promoted by Mr. Jagdish Gupta is the founder of Jagson Group with business experience of more than 30 years in diversified businesses. He is supported by Ms. Ravinder Kaur Hora and Mr. Pradeep Gupta who has more than 2 decades of experience in diversified business. Jagson International Ltd. has been in the business of oil rigs and drilling for over 30 years. The vast experience of promoters and established track record of operations has helped to establish long-standing relationships with India's leading upstream companies like ONGC. JIL has been able to complete the deployments in a timely manner and has been able to secure contracts renewals at prevailing rig charter rates.

#### **Improving Business Risk Profile**

JIL's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~26% in FY2023 and stood at Rs 222.43 crore as against Rs. 176.17 crore for FY2022. The operating profit margin of the company increased by 11.52 percent and stood at 51.30% in FY 23 vis-à-vis 39.78% a year ago. Likewise, the net profit margin of the company increased by 12.98 percent and stood at 28.44 percent in FY2023 as against 15.46 percent in FY 22. ROCE of the company also saw a positive movement and stood at 7% in FY2023 vis-à-vis 3.39% in previous fiscal.

Company has reported operating income of Rs ~51 crore in H1 FY 24 which is ~116 lower in comparison to H1 FY 23. Operating income of the company in H1FY 24 was lower as two rigs were in scheduled major maintenance from April 23 to December 23.

#### **Strong Financial Risk Profile**

Company has comfortable financial risk profile marked by strong net worth, low gearing and comfortable coverage indicators. Tangible net worth of the company stood at Rs. 1213.85 Cr as on 31st March 2023 as against Rs. 1133.59 Cr a year earlier. Increase in net worth is on account of Profit accretion.

Company follows conservative leverage policy marked by low gearing. Debt to Equity ratio improved and stood at 0.01 times in FY 2023 as against 0.05 times in FY 22. Improvement in gearing is on account of improved net worth and minimal dependence on external funds. Gearing is expected to increase as the company is undergoing a capex of Rs. 300 Cr. in near medium term which will be funded to the tune of ~ Rs. 225 Cr. through debt and remaining through internal funds.

Interest coverage ratio increased by 1863 bps and stood strong at 31.93 times for FY2023 as against 13.30 times in FY2022. Increase in Interest coverage ratio is on account of higher profits in FY 23 in comparison to FY 22. Likewise, Debt Service coverage ratio increased by 1514 bps and stood comfortable at 27.15 times for FY2023 as against 12.01 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 0.03 times as on FY2023 vis-à-vis 0.08 times as on FY2022. Debt-EBITDA improved and stood at 0.11 times as on 31st March 2023 as against 0.73 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 7.72 times as on FY2023 and 1.14 times for FY2022.

### Weaknesses

#### **Intensive working capital operations**

Company has elongated working capital requirements as evident from gross current assets (GCA) of 356 days in FY2023 as compared to 393 days in FY2022. High GCA days is attributable to high inventory days. Maintaining high inventory of spare parts and consumables becomes imperative for the company as the rigs need to be always up and working even an hour of downtime will result into heavy revenue losses. As a result Inventory days stood at 394 days in FY2023 as against 329 days in FY 22. Debtors days stood at 95 days in FY 23 (96 days in FY22).

#### **Exposure to group companies**

The company has exposure in the form of loans and advances, that has been extended to group company; Mahima Production Limited (motion picture company) which has also

increased from Rs.~108 crores in FY22 to Rs.~113 crores in FY23. As per discussion with management, the loans are extended interest free. Nevertheless, the tangible net worth of the company remained healthy at Rs. 1213.85 crores as on March 31, 2023 (loan is ~10 percent of the net worth). Mahima Production limited has repaid Rs ~53 crores till November 23 and balance will be repaid in FY 25. Acuite believes that any significant write off can moderately impact the tangible net worth of the company.

#### **Rating Sensitivities**

Significant increase in total operating income.

Any significant increase in exposure towards group companies

Any elongation in gross current asset days.

Company's ability to start operations for New Rig as per schedule

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#### **Liquidity Position**

##### **Strong**

Company has strong liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 95.42 crore for FY2023. Current Ratio stood at 7.49 times as on 31 March 2023 as against 2.79 times in the previous year. Fund based working capital limits are utilized at ~65 per cent during the last twelve months ended June 23 while non fund based limit utilization is 45 percent leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of company stood at Rs 11.24 crores.

#### **Outlook:Stable**

Acuite believes that the outlook on JIL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant cost or time overrun in its proposed capex leading to deterioration of its revenue stream

#### **Other Factors affecting Rating**

None

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## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	222.43	176.17
PAT	Rs. Cr.	63.26	27.23
PAT Margin	(%)	28.44	15.46
Total Debt/Tangible Net Worth	Times	0.01	0.05
PBDIT/Interest	Times	31.93	13.30

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Oct 2022	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	25.00	ACUITE A3+ (Upgraded from ACUITE A3)
22 Jul 2021	Cash Credit	Long Term	30.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A3+   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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