

Press Release

Jhajharia Nirman Limited

September 08, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 187.00 Cr.
Long Term Rating	ACUITÉ A-/Stable (Assigned)
Short Term Rating	ACUITÉ A2+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITÉ A-**' (**read as ACUITE A minus**) and Short term rating of '**ACUITÉ A2+**' (**read as ACUITE A two plus**) on the Rs 187.00 Cr. bank facilities of Jhajharia Nirman Limited (JNL). The outlook is '**Stable**'.

The rating reflects JNL's healthy business profile supported by its strong project execution capabilities and long track record of work execution in the railways sector. The rating also factors in the company's comfortable financial risk profile marked by a conservative capital structure and strong coverage ratios. These rating strengths are partially offset by JNL's high exposure to the railway sector and the intensity of competition in construction business.

About the Company

Chhattisgarh based JNL was started as a proprietorship firm in 1994 by Mr. Sushil Kumar Agarwal and is engaged in civil construction activities for road, bridge, building and railway tracks. The constitution was changed to a closely held company in 2018. Currently, the company is managed by Mr. Sushil Kumar Agarwal and his sons. The company has executed projects in the different states such as Chhattisgarh, Madhya Pradesh etc.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of JNL to arrive at the rating.

Key Rating Drivers

Strengths

Long operational record and Strong order book

JNL has a long operational track record as the company is executing different kinds of civil projects since 1994. Over the years, company has successfully completed a large number of projects involving construction of building & platform, laying of railway track etc. The company has a strong order book as JNL has bagged orders from various Government entities and PSUs such as Southeastern Railways, RITES Ltd, Ircon International Ltd, CPWD among others. The current order book of Rs. 1265.17 Cr. imparts healthy revenue visibility over the medium term and ensures low counterparty risks. Around 77 percent of the unexecuted order book comprises projects from Indian Railway towards laying railway track, construction of various structures, followed by around 9 percent from Dedicated Freight Corridor Corporation of India Ltd and the remaining 14 percent from PSUs. In FY21, the company had witnessed strong order flow as JNL had bagged fresh orders of around Rs 810.62 Cr. from Indian Railways and Central government undertakings. JNL's order book is now spread across in Chhattisgarh (32 percent of existing orders), Gujarat (32 percent of existing orders), Uttar Pradesh (30 percent of existing orders) and Maharashtra (6 percent of existing orders). Acuite believes that high budgetary allocations toward Indian railway by Government of India will improve the overall order flow in this segment over the medium term.

Improving scale of operation

JN's scale of operation had witnessed an improvement as reflected from revenue of Rs 406.27 Cr in FY21 (Provisional) as against Rs 384.31 Cr in FY20. JNL has posted revenue of Rs 133 Cr till July 2021. Acuite believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

Healthy financial profile

The financial risk profile of the JNL is marked by its healthy net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs. 107.44 Cr. as on 31st March'2021 (Provisional) as compared to Rs 77.09 Cr. in the previous year. The gearing of the company stood comfortable 0.21 times as on 31st March 2021 (Provisional) as against 0.41 times as on 31st March, 2020. The total debt of Rs.22.48 Cr in FY2021 consists of long-term debt of Rs.19.69 Cr and Short term borrowing of Rs 2.79 Cr. TOL/TNW stood at 0.53 times in FY21(Provisional) as against 1.11 times in FY20.JNL's interest coverage ratio stood at 12.87 times as on 31st March, 2021(Provisional) as against 8.08 times as on 31st March, 2020.DSCR of the company stood at 4.63 times in FY21(Provisional) in comparison to 6.74 times in FY20. The Net Cash accruals to Total Debt (NCA/TD) stood at 1.80 times in FY2021(Provisional) as compared to 1.07 times in the previous year. Going forward, Acuité believes the financial risk profile to remain healthy over the medium term backed by steady accruals and no major debt funded capex plans.

Healthy profitability margins

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 12.55 percent in FY'21(Provisional) as compared to 11.42 percent in FY'20. The profit after tax (PAT) margins of the company stood at 7.21 percent in FY'21 as against 6.23 percent in the preceding year.The profitability margin depends on the company's selection of projects being bid for. Acuité believes that the company will maintain its profit margins over the medium term given the healthy order book and its track record of operations.

Weaknesses

High segmental concentration

The company mainly executes projects of the Indian Railways thereby implying high segmental concentration. The company's ability to successfully bid for different kind of projects beyond the railways sector would be a key to diversify its business profile.

Rating Sensitivity

- Sustenance in turnover growth and profit margins
- Continuous order flow

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile as net cash accrual stood at Rs 40.37 Cr in FY21(Provisional) as against the debt repayment of Rs.9.48 Cr.Going forward, the net cash accruals are expected to be in the range of Rs 43-55 Cr as against loan repayments of around Rs.7 Cr from FY22-FY23. Moreover the company has low working capital utilization during 12 months ended July 2021 stood at around 65.77 percent. JNL also has unencumbered cash & bank of Rs 3.46 Cr during FY21. Current ratio stood at 2.31 times in FY21 (Provisional) as against 1.61 times in FY21.The company had witnessed comfortable working capital requirement as GCA days stood at 65 days in FY21 as against 58 days in FY20. Acuite believes liquidity profile will remain adequate in medium term backed by healthy net cash accrual.

Outlook: Stable

Acuité believes the outlook on JNL will remain 'Stable' over the medium term backed by its long track record of operations, strong order book position and healthy financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	406.27	384.31
PAT	Rs. Cr.	29.31	23.95
PAT Margin	(%)	7.21	6.23
Total Debt/Tangible Net Worth	Times	0.21	0.41
PBDIT/Interest	Times	12.87	8.08

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-/Stable (Assigned)
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A-/Stable (Assigned)
ICICI Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-/Stable (Assigned)
Axis Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A-/Stable (Assigned)
Kotak Mahindra Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-/Stable (Assigned)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A2+ (Assigned)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A2+ (Assigned)
HDFC Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.28	ACUITE A2+ (Assigned)

ICICI Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.95	ACUITE A2+ (Assigned)
Axis Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.90	ACUITE A2+ (Assigned)
Federal Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+ (Assigned)
Kotak Mahindra Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A2+ (Assigned)
Not Applicable	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE A2+ (Assigned)

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About Acuité Ratings & Research:

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