

Press Release

Jhajharia Nirman Limited

January 25, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	4.35	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	169.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	182.65	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	357.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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 and 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 170.00 Cr. bank facilities of Jhajharia Nirman Limited (JNL). The outlook remains '**Stable**'.

Rationale for the rating

The rating reflects JNL's strong project execution capabilities and healthy order size. The scale of operation had witnessed a substantial improvement in FY22 backed by rise in order flow. The current order book indicates revenue growth is likely to continue in FY23 with medium term visibility. The rating also factors in the company's comfortable financial risk profile marked by a conservative capital structure and strong coverage ratios. In addition, the company has adequate liquidity profile as reflected from its low utilization of fund-based limits and steady net cash accrual. 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

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**

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 several orders from Southeastern Railways, RITES Ltd, Ircon International Ltd among others. The company is executing orders in various states such as MP, UP, Chhattisgarh, Odisha, etc. This reduces geographical concentration. Currently company is headed by Mr Sushil Agarwal who has more than two decades of experience in construction business.

- **Healthy order book**

The current order book of Rs. 1238 Cr. imparts healthy revenue visibility over the medium term and ensures low counterparty risks. Around 32 percent of outstanding orders are bagged through JVs formed by JNL and different parties such as Galvano India Private Ltd, Shresth Abhishek Buildcon Pvt etc. These JVs are formed to meet technical and financial qualifications of project. Remaining 68 percent orders are spread across various states such as Chhattisgarh (23 percent of existing orders), Gujarat (5 percent of existing orders), Uttar Pradesh (17 percent of existing orders), Maharashtra (6 percent of existing orders) etc. The company is planning to submit bids for railways project in Southern Indian which will further diversify its presence and improve operational capacities. Acuite believes that high budgetary allocations toward Indian Railways by Government of India will improve the overall order flow in this segment over the medium term.

- **Improvement in scale of operation and healthy profit margins**

JNL's scale of operation had witnessed a significant improvement as reflected from revenue of Rs 520 Cr in FY22 as against Rs 364 Cr in FY21 backed by rise in order flow. JNL has posted revenue of Rs 293 Cr till October 2022 (prov). Acuite believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 9.04 percent in FY22 as compared to 10.27 percent in FY21. The profit after tax (PAT) margins of the company stood at 5.00 percent in FY22 as against 5.25 percent in the preceding year. The profitability margin depends on the company's selection of projects being bid for. Acuite believes that the company will maintain its profit margins over the medium term given the healthy order book and its track record of operations.

- **Strong financial profile**

The financial risk profile of the JNL is marked by its healthy net worth, low gearing ratio and sound debt protection metrics. The net worth stood at Rs. 122 Cr. as on 31st March, 2022 as compared to Rs 96 Cr. in the previous year. The gearing of the company stood comfortable at 0.26 times as on 31st March 2022 as against 0.28 times as on 31st March, 2021. TOL/TNW stood at 0.52 times in FY22 as against 0.75 times in FY21. The company has low dependence on fund based limits as reflected from its working capital utilization. JNL's interest coverage ratio stood at 9.43 times as on 31st March, 2022 as against 8.64 times as on 31st March, 2021. DSCR of the company stood comfortable at 2.00 times in FY22 in comparison to 3.37 times in

FY21. The Net Cash accruals to Total Debt (NCA/TD) stood at 1.14 times in FY2022 as compared to 1.08 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.

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 railway sector would be a key to diversify its business profile.

Rating Sensitivities

- Significant improvement in profit margin
- Continuous order flow

Material covenants

None

Liquidity position: Adequate

The company has an adequate liquidity profile as net cash accrual stood at Rs 35 Cr in FY22 as against the debt repayment of Rs.13 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 49-55 Cr as against loan repayments of around Rs.8 Cr from FY23-FY24. Moreover the company has low working capital utilization during 12 months ended October 2022 which stood at around 47 percent. JNL also has unencumbered cash & bank of Rs 3.35 Cr during FY22. Current ratio stood at 2.28 times in FY22 as against 1.77 times in FY21. The company had witnessed comfortable working capital requirement as GCA days stood at 76 days in FY22 as against 103 days in FY21. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	520.79	364.42
PAT	Rs. Cr.	26.06	19.14
PAT Margin	(%)	5.00	5.25
Total Debt/Tangible Net Worth	Times	0.26	0.28
PBDIT/Interest	Times	9.43	8.64

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

Brickwork Ratings vide its press release dated October 8th, 2021, downgraded JNL to BWR B+/A4; INC

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>

- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Dec 2022	Bank Guarantee	Short Term	22.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	19.90	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	0.52	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	27.95	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	0.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.28	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	27.95	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	0.25	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	0.52	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	19.90	ACUITE A2+ (Assigned)

08 Sep 2021	Bank Guarantee	Short Term	24.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	50.28	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	22.00	ACUITE A2+ (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 (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.28	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.95	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.90	ACUITE A2+ Reaffirmed
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A2+ Reaffirmed
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.95	ACUITE A2+ Assigned
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2+ Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.48	ACUITE A2+ Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	38.00	ACUITE A2+ Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.52	ACUITE A2+ Reaffirmed

Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	75.57	ACUITE A2+ Assigned
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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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