

Press Release
Jhajharia Nirman Limited
April 24, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	10.25	ACUITE A Stable Upgraded	-
Bank Loan Ratings	346.75	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	357.00	-	-

Rating Rationale

ACUITE has upgraded the long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 357 Cr. bank facilities rating of Jhajharia Nirman Limited (JNL). The outlook remains '**Stable**'.

Rationale of the Rating

The rating upgrade reflects JNL's strong project execution capabilities and healthy order size. The scale of operation had witnessed a substantial improvement in FY24 with revenues at Rs. 858.92 Cr. (Provisional) against revenues of Rs.565.24 Cr. in FY2023. This has been a result of rise in order flow and its healthy execution. The current order book of Rs. 3526.50 Cr. as on April 2024, indicates revenue growth is likely to continue in FY24 with medium to long term visibility. Although there is segmental concentration in revenues, but low geographic concentration provides some comfort to the business risk profile with the Company's presence in various states. The rating also factors in the company's comfortable financial risk profile marked by a conservative capital structure and strong coverage ratios. The financial risk profile is expected to remain healthy over the medium term. In addition, the company has adequate liquidity profile as reflected from its steady net cash accrual, minimum debt repayment and moderate current ratio. These rating strengths are partially offset by JNL's high exposure to the railway sector and the intensity of competition in infrastructure business.

About the Company

Jhajharia Nirman Limited (JNL) was established in 1994 in Bilaspur Chhattisgarh by Mr. Sushil Kumar Agarwal as a proprietorship firm. In 2008, the firm was converted into a Private Limited concern and subsequently in 2019 the entity was into closely held public limited company. The company executes various kinds of projects such as earthworks, Railway sidings, construction of major bridges, railway track works, supply of track ballast, transportation among others. Presently, the company is managed by Mr. Sushil Kumar Agarwal and his sons.

Directors of Jhajharia Nirman Limited are Ms. Binita Agrawal, Mr. Sushil Kumar Agrawal, Mr. Sanjeev Gupta, Mr. Arunendra Kumar, Mr. Vinap Agrawal, Mr. Saransh Agrawal, Ms. Stuti Agrawal and Ms. Vaishali Agrawal.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Healthy revenue growth and profitability

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. The company had witnessed improvement in scale of operation as revenue stood at around Rs. 565.24 Cr. in FY23 as against Rs. 520.79 Cr. in FY22, a growth of 9 per cent on a year-on-year (y-o-y) basis. In FY2024, the management has indicated that they have attained a revenue of Rs.858.92 Cr. (Provisional). The company has a healthy profitability margin as reflected from its EBITDA margin of 10.51 percent in FY23 as against 9.04 percent in FY22 and 10.27 percent in FY21. RoCE of the company stood comfortable at 30.59 percent in FY23 as against 28.77 percent in FY22. The improvement in profitability is the result that the Company is successfully able to pass on the escalation in prices of raw materials to its principal. However, the profitability margin also depends on company's selection of projects being bid for. The management has taken a policy to not indulge in work order where profits would be subdued. Acuite believes the profitability of the company will remain at a similar level over medium term. It further believes the scale of operation will improve over the medium term backed by strong order flow from new geographical locations.

Strong Order Book providing revenue visibility

JNL has strong orders in hand of Rs. 3526.50 Cr. as on April 10, 2024 (includes own orders of Rs.3160.98 Cr. and orders with JV of Rs.365.57 Cr.; these JVs are formed to meet technical and financial qualifications of project.). This imparts healthy revenue visibility over the medium term and ensures low counterparty risks. Almost 50% out of own outstanding orders are expected to be completed within FY25 thus providing comfortable revenue visibility. However, typically the work orders get delayed by 6 months to a year due to nature of business. The own OB/OI is at 3.67 times. The work orders are spread across various states such as Chhattisgarh, Gujarat, Uttar Pradesh, Maharashtra, Andhra Pradesh among others. 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.

Healthy financial risk profile

JNL has a healthy financial risk profile marked by its healthy net worth, low gearing and healthy debt protection metrics. The net worth of the Company remained at Rs.156.46 Cr. as on March 31, 2023 due to healthy accretion to reserves. The debt equity remained healthy, below unity at 0.28 times as on March 31, 2023 against 0.26 times as on March 31, 2022. Annually the company incurs about Rs.8-10 Cr. of capex towards equipment funded by mix of equipment finance and own fund. The Company is also availing short term loans from RXIL at lower interest rate to fund a part of its working capital requirement; although this is expected to weaken the leverage ratio but it is expected to remain below unity over the medium term. In FY2023, The interest coverage ratio and debt service coverage ratio (DSCR) remained healthy at 7.83 times and 2.38 times respectively. Acuite believes that financial risk profile will remain healthy backed by healthy accruals and absence of any major debt funded capex plan over the medium term.

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
- Sustenance of working capital cycle

Liquidity Position

Adequate

The company has an adequate liquidity profile as net cash accrual stood at Rs 42.59 Cr. in FY23 as against the debt repayment of Rs.13.32 Cr. Moreover the company has moderate working capital utilization during 12 months ended December 2023 which stood at around 57.11 percent. JNL also has unencumbered cash & bank of Rs 0.72 Cr. during FY23. Current ratio stood at 2.32 times in FY23 as against 2.28 times in FY22. The company had witnessed slightly elevated but comfortable working capital requirement as GCA days stood at 107 days in FY23 as against 76 days in FY22. Acuite believes liquidity profile will remain adequate in medium term backed by healthy net cash accrual and absence of major debt funded capex plans over the medium term.

Outlook: Stable

Acuite 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 and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile due to larger than expected increase in working capital borrowings and lower than expected scale of operations.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	565.24	520.79
PAT	Rs. Cr.	34.13	26.06
PAT Margin	(%)	6.04	5.00
Total Debt/Tangible Net Worth	Times	0.28	0.26
PBDIT/Interest	Times	7.83	9.43

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>
- Manufacturing Entities: <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
25 Jan 2023	Bank Guarantee (BLR)	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.28	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.48	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	27.95	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	19.90	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	19.95	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	19.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	0.52	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	75.57	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	38.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	0.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Reaffirmed)
Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)	
02 Dec 2022	Bank Guarantee/Letter of Guarantee	Short Term	13.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.28	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	27.95	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	19.90	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	19.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	0.52	ACUITE A2+ (Reaffirmed)
		Long		ACUITE A- Stable

	Cash Credit	Term	2.00	(Reaffirmed)
	Cash Credit	Long Term	0.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
08 Sep 2021	Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	0.25	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	0.52	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	24.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	19.90	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	27.95	ACUITE A2+ (Assigned)
Bank Guarantee (BLR)	Short Term	50.28	ACUITE A2+ (Assigned)	
Bank Guarantee (BLR)	Short Term	22.00	ACUITE A2+ (Assigned)	
Bank Guarantee (BLR)	Short Term	13.00	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE A1 Upgraded (from ACUITE A2+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.76	ACUITE A1 Upgraded (from ACUITE A2+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A1 Upgraded (from ACUITE A2+)
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.90	ACUITE A1 Upgraded (from ACUITE A2+)
Federal Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	49.95	ACUITE A1 Upgraded (from ACUITE A2+)
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE A1 Upgraded (from ACUITE A2+)
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	48.14	ACUITE A1 Upgraded (from ACUITE A2+)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A Stable Upgraded (from ACUITE A-)
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A Stable Upgraded (from ACUITE A-

State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A Stable Upgraded (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A Stable Upgraded (from ACUITE A-)
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A Stable Upgraded (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Upgraded (from ACUITE A-)

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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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