



Press Release

JUPITER WAGONS LIMITED (ERSTWHILE COMMERCIAL ENGINEERS AND BUILDERS COMPANY LIMITED)

December 07, 2023

| Product | Quantum (Rs. Cr) | Rating Upgraded | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-----------------|-------------------|-----------------------|
| Bank Loan Ratings | 230.11 | ACUITE AA- | Stable Upgraded | - |
| Bank Loan Ratings | 375.50 | - | - | ACUITE A1+ Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 605.61 | - | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE AA-**' (read as **ACUITE double A minus**) from '**ACUITE A+**' (read as **ACUITE A plus**) and the short-term rating to '**ACUITE A1+**' (read as **ACUITE A one plus**) from '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 605.61 Cr bank facilities of **Jupiter Wagons Limited** (JWL; Erstwhile Commercial Engineers and Body Builders Company Limited). The outlook remains '**Stable**'.

Rating Rationale for Upgrade

The rating upgrade reflects improvement in business and financial risk profile of the company reflected by increased scale of operations and robust order book position in FY2023 and in H1FY2024. The revenues of the company improved to Rs.2069.27 Cr in FY2023 compared to Rs. 1178.43 Cr in FY2022 registering a significant Y-o-Y growth of 75.6 per cent. The improvement was majorly on account of improved capacity utilization on the back of increasing order book. Further, the price realisation of wagons and containers has also improved. With the order pipeline remaining adequate, the revenues are expected to witness healthy growth in the near term, early trends of which can be seen from the revenue of ~Rs.1632.49 Cr recorded till H1FY24 compared to Rs.712.11 Cr in H1FY23 (growth of ~130% half-yearly basis). However, timely execution of the order would be a key monitorable. The Company is also undertaking backward integration by adding capacities in foundry units in Bandel (West Bengal) and Jabalpur (Madhya Pradesh) and products like brake systems through its Joint Ventures (JVs) which is expected to further improve its operating margins over the medium term. The operating margin improved to about 13.75% in H1FY2024 compared to about 11.46% in H1FY2023 and at 12.23% in FY2023. Further, JWL has entered into electric Light Commercial Vehicle (e-LCV) business through its subsidiary Jupiter Electric Mobility Private Limited (JeM), which is expected to launch during next financial year and is further expected to augment the business risk profile of JWL.

Acuite further notes that the financial risk profile has improved at the back of comfortable capital structure and improved debt protection metrics due to steady accruals and absence of debt funded capex plans. The rating also derives comfort from the strong liquidity position of the company marked by surplus cash accruals and unutilized lines of fund-based limits. The rating also factors in reputed client profile of the company supported by increasing demand in the industry providing revenue visibility over the medium term. These strengths are however, partly offset by the high working capital intensity in the operations and susceptibility to volatility in raw material prices.

About Company

JWL (erstwhile CEBBCO) was an associate of the erstwhile JWL since the latter acquired a

45.45% stake in FY2019 under a debt resolution plan. Commercial Engineers and Body Builders Company Limited (CEBBCO) was involved in manufacturing bodies of commercial vehicles

and wagon manufacturing business. JWL has merged with CEBBCO through a reverse merger and the combined entity has been listed on stock exchanges. The company's name (formerly known as CEBBCO) was changed to Jupiter Wagons Limited (JWL) w.e.f. May 25, 2022. It is a Kolkata based company with a capacity to manufacture ~9,000 wagons annually and also have backward integrated facilities to manufacture various components of a typical wagon like couplers, bogies, draft gears, CRF section, etc. It has its manufacturing facilities at Kolkata, Hooghly (WB), Jabalpur (MP), Indore (MP) and Jamshedpur (Jharkhand). It has JVs and partnerships with European major Tatravagonka of Slovakia, DAKO-CZ of Czech Republic, Kovis of Slovenia, Taleres Alegria of Spain, to name a few.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has combined the business and financial risk profiles of JWL and all its subsidiaries/associates (Refer Annexure 2) to the extent of its shareholding as they have significant business and financial linkages and common management.

Key Rating Drivers

Strengths

Strong brand, established track record of business operations buoyed by experienced management

JWL is a leading Indian manufacturer of railway wagons, passenger coaches, wagon components, castings and advanced railway transportation equipment in the country. With acquisition and merger with CEBBCO, JWL has stepped into inorganic growth thereby foraying into manufacturing local bodies for commercial vehicles with an extensive portfolio of product offerings. Thus, at present the company has been operating in broadly three business segments namely - commercial vehicles applications, railways and container manufacturing. The company have a strong track record of its business operations which has enabled it to gain an in-depth understanding of the market dynamics.

JWL was founded by Mr. Murari Lal Lohia and is currently managed by his sons Mr. Vivek Lohia and Mr. Vikash Lohia. The current directors have an extensive experience of nearly 18-20 years in the wagons manufacturing industry. They are further backed by an experienced and qualified pool of management comprising of other Board of Directors and senior level management. Established relationship with customers has ensured brand and product loyalty and that with suppliers has enabled ease procurement of raw materials. Acuité believes the management's rich expertise will continue to bolster the business, going forward.

Healthy growth in revenues with strong book position and diverse revenue streams; boost in profitability buoyed by backward integrated operation

The operating revenue of the company improved to Rs.2069.27 Cr as compared to Rs. 1178.43 Cr in FY 2022 (growth of **76 %** YoY basis) and Rs 995.78 Cr in FY 2021 owing to increased demand in wagon segment of business. Further, the price realisation have also improved. With the order pipeline remaining adequate, the revenues are expected to witness healthy growth in the near term, early trends of which can be seen from the revenue of ~Rs. 1632.49 Cr recorded till H1FY24 compared to Rs.712.11 Cr in H1FY23 (growth of ~**130%** half-yearly basis). However, timely execution of the order would be a key monitorable. As on September 30, 2023, JWL has an outstanding order book of Rs. 5,952.65 Cr. Of the total order book position, a majority of the orders comes from wagons division which contribute to nearly 90% of revenues due to momentum gained in overall wagons manufacturing in India. However, timely execution of the order would be a key monitorable. Further, JWL's generates revenue from

diversified sources with a wide range of product offerings alongside wagons, such as wagon accessories, passenger coach accessories, complete track solutions, shipping containers, load bodies of tipper and tanker, load cargo bodies, troop carrier vehicle bodies. Acuite believes that the Company's revenues are expected to grow significantly considering the strong order book especially wagons segment and foray into electric commercial vehicle segment through its subsidiary company over the medium term.

The operating profit of JWL increased to 12.23 % as on March 31, 2023 compared to 9.70 % as on March 31, 2022. The margins were at 13.75% in H1FY 2024 compared to 11.46% in H1FY2023. Backward integration of operations leveraged the business, as reflected through lower cost of capital, cost savings due to improved procurement efficiencies and cost rationalization. JWL has an integrated facility with cold roll forming mill and a foundry which produces casting that are used in manufacturing of wagons, thereby reducing dependence on purchased castings from third parties. The company reported significant improvement in Profit After Tax (PAT) which stood at 5.83% in FY2023 compared to 4.21 % in FY2022. The PAT margin stood at 8.83% in H1 FY24 compared to 5.16% in H1FY23.

Going forward, Acuite believes JWL will derive significant cost benefit with in-house manufacturing of brakes as the same constitute around 7 per cent cost of a wagon further boosting the profitability in the near term. JWL will be the only wagon manufacturing company in India to manufacture brake discs (There are 6 major RDSO approved wagon manufacturing players in India in the private sector, including JWL). Moreover, ramp-up in operations of its joint ventures (JVs), which are into manufacturing components for wagons, will aid margin expansion.

Healthy financial risk profile

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and debt protection metrics. The tangible net worth of the company improved to Rs.773.50 Cr as on March 31, 2023 from Rs.651.43 Cr as on March 31, 2022 due to accretion of reserves. The net worth has improved further, on account of fresh equity issued by way of qualified institution placement (QIP) of Rs. 125 Cr in May 2023 and healthy accretion to reserve. The QIP has been utilized towards acquisition of Stone India Ltd and the balance for working capital and general corporate purpose. Another RS. 400 Cr is expected to be received in the month of December 2023. The net worth as on September 30, 2023 stood at Rs.1056.30 Cr. Gearing of the company stood comfortable below unity at 0.37 times as on March 31, 2023 as compared to 0.21 times as on March 31, 2022, although there was some increase in the debt levels in FY2023 due to the higher working capital requirements. Acuite notes that the company has been regularly incurring capex in the last few years for improving efficiency and foraying into backward integration but the same remains debt free. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.07 times as on 31st March, 2023 as against 0.56 times as on March 31, 2022. Moreover, with adequate profitability and limited reliance on external borrowings in FY2023, the coverages improved with Interest Coverage Ratio at 8.81 times and Debt Service coverage ratio at 4.00 times as on 31st March, 2022. Calibrated capex undertaken by JWL over the past years, funded through internal accruals along with lower reliance on debt owing to healthy surplus cash accrual, has also helped it maintain comfortable leverage. Commensurate returns from the planned capex in the form of backward integration and optimal capacity utilisation will remain key credit monitorable for JWL. Acuite expects the leverage and coverage indicators to remain healthy in FY24 and improve over the medium term further on the back of surge in earnings further boosting the profitability of the company.

Further, Acuite notes that JWL has acquired Stone India Limited (SIL), and the same has been approved by National Company Law Tribunal. JWL has funded the purchase consideration of Rs.25.00 Cr through the proceeds from QIP. SIL's capacity for manufacturing of brake systems will be a backward integration for JWL.

SIL was engaged in the manufacturing of electrical and mechanical equipment like brake systems, alternators, pantographs, slack adjusters, etc. for rail road industry, since eight decades. Its manufacturing facilities are located in Kolkata and Baddi (Himachal Pradesh). SIL has technical tie-ups with foreign players for gaining access to new technology and to maintain business continuity with Indian Railways (IR).

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations is marked by Gross Current Assets (GCA) of 182 days as on 31st March 2023 as compared to 176 days as on 31st March 2022. The working capital intensity remains inherently high in the industry due to milestone-based payments and the sizeable security deposits kept with the Government authorities. The GCA days remained stretched on account of high the inventory period which stood at 99 days in FY2023 as compared to 110 days in FY2022. The inventory levels of the company have been historically high owing to Indian Railway (IR)'s procurement policy, where wheel sets for wagons and other locomotives can be procured only from Rail Wheel Factory (manufacturing unit of IR). Hence the company has to maintain an inventory of around 3 to 4 months for smooth manufacturing process without any interruptions. The debtor days is efficient at 38 days in FY23 as compared to 22 days in the previous period. Acuité believes with the 30 percent of the order pipeline being from IR, the company's working capital intensity will remain at similar levels over the medium term with significant inventory holding. Moreover, with the record allocation of Rs. 2.4 lakh Cr to IR in the union budget 2023-24, Acuité expects the order book to increase further in FY24 and hence inventory holding for the same, as IR is planning to roll-out large size tenders in the upcoming 3-6 months. Against this the company receives credit of about 45 days from its creditors. Acuité believes that owing to large capex plans to augment operational efficiency, the working capital requirement of JWL will remain high over the medium term.

ESG Factors Relevant for Rating

For the wagon manufacturing and transport ancillary industry, GHG emissions and product lifecycle is of paramount importance. Further parameters such as inclusion of clean, green technologies in manufacturing, material, energy and water efficiency, proper waste disposal are of key importance to the industry. With the introduction of 'Jupiter Electric Mobility,' the company is expected make a significant contribution to vehicle electrification by reducing dependence on fossil fuels as the source of energy and simultaneously reducing the carbon foot-prints in urban/upcountry regions and improving upon conservation of environment. The company has pollution control equipment installed in the unit.

The social impact of the company is assessed through safety of its employees as well as customers and is reflected through employment quality, product safety, product quality and initiatives for community support and development. Upholding strong business ethics and competitive behavior of companies are a key material issue for the transport equipment industry. JWL is ensuring employee skill development through periodic training sessions and community development through contribution in PM relief Fund and more.

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the corporate governance requirements set out by SEBI. JWL's Board of Directors (BoD) comprises of 9 directors out of which includes one female independent director reflecting healthy diversity. Majority of the Audit committee members and Remuneration committee are Independent Directors. The company has adequate policies on whistleblower protection programme, related party transactions and ethical business practices. The company has a dedicated CSR Committee and it is involved in several philanthropic activities.

Rating Sensitivities

- Improving revenues while improving margins
- Elongation in working capital cycle
- Change in capital structure
- Timely execution of order book

All Covenants

None

Liquidity Position

Strong

JWL's liquidity position is strong marked by healthy net cash accruals of Rs.145.65 Cr as on March 31, 2023 as against long term debt repayment of Rs.14.76 Cr over the same period. The

Company has also raised QIP of Rs.125 Cr in May 2023 and another Rs.400 Cr is being raised in December 2023, which has further strengthened its financial flexibility. The Company also has capex plans but the same are expected to be funded by own sources and no additional bank loans are expected to be taken for it. The current ratio stood comfortable at 1.43 times as on March 31, 2023 as compared to 1.60 times as on March 31, 2022. The company has unencumbered cash and bank balance of around Rs.117.13 Cr in FY23. The fund based limit remains utilised at 49 per cent over ten months ended October, 2023. The working capital cycle of the company is intensive marked by Gross Current Assets (GCA) of 182 days as on 31st March 2023 as compared to 176 days as on 31st March 2022. Going forward, Acuité believes the liquidity position of the company will be sustained marked by enhanced net cash accruals and low reliability on external borrowings.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term backed by its established market position, strong order book position, comfortable business and financial risk position and diversification in its product mix. The outlook may be revised to 'Positive' if the company registers a higher than expected growth in revenues while improving its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of further elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 2069.27 | 1178.43 |
| PAT | Rs. Cr. | 120.68 | 49.66 |
| PAT Margin | (%) | 5.83 | 4.21 |
| Total Debt/Tangible Net Worth | Times | 0.37 | 0.21 |
| PBDIT/Interest | Times | 8.81 | 6.45 |

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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 |
|-------------|--------------------------------|------------|-----------------|---------------------------------|
| 24 Mar 2023 | Cash Credit | Long Term | 10.00 | ACUITE A+ Stable (Assigned) |
| | Bank Guarantee | Short Term | 130.00 | ACUITE A1 (Assigned) |
| | Cash Credit | Long Term | 34.00 | ACUITE A+ Stable (Assigned) |
| | Cash Credit | Long Term | 43.00 | ACUITE A+ Stable (Assigned) |
| | Letter of Credit | Short Term | 4.00 | ACUITE A1 (Assigned) |
| | Letter of Credit | Short Term | 28.00 | ACUITE A1 (Assigned) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A1 (Assigned) |
| | Cash Credit | Long Term | 25.00 | ACUITE A+ Stable (Assigned) |
| | Cash Credit | Long Term | 13.61 | ACUITE A+ Stable (Assigned) |
| | Cash Credit | Long Term | 16.39 | ACUITE A+ Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 60.00 | ACUITE A1 (Assigned) |
| | Bank Guarantee | Short Term | 39.50 | ACUITE A1 (Reaffirmed) |
| | Term Loan | Long Term | 13.00 | ACUITE A+ Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 50.00 | ACUITE A1 (Assigned) |
| | Bank Guarantee | Short Term | 42.00 | ACUITE A1 (Reaffirmed) |
| | Term Loan | Long Term | 12.11 | ACUITE A+ Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A1 (Assigned) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A1 (Assigned) |
| | Cash Credit | Long Term | 63.00 | ACUITE A+ Stable (Reaffirmed) |
| 04 Feb 2022 | Term Loan | Long Term | 15.00 | ACUITE A+ Stable (Assigned) |
| | Bank Guarantee | Short Term | 20.00 | ACUITE A1 (Assigned) |
| | Bank Guarantee | Short Term | 22.00 | ACUITE A1 (Assigned) |
| | Cash Credit | Long Term | 20.00 | ACUITE A+ Stable (Assigned) |
| | Term Loan | Long Term | 19.00 | ACUITE A+ Stable (Assigned) |
| | Cash Credit | Long Term | 10.00 | ACUITE A+ Stable (Assigned) |
| | Bills Discounting | Short Term | 65.00 | ACUITE A1 (Assigned) |
| | | Short | | |

| | | | | |
|--|----------------|------|-------|----------------------|
| | Bank Guarantee | Term | 15.00 | ACUITE A1 (Assigned) |
|--|----------------|------|-------|----------------------|

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|------------------------------------|------------------|----------------|----------------|------------------|-------------------|--------------------------------|
| Yes Bank Ltd | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 42.00 | ACUITE A1+ Upgraded |
| State Bank of India | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 130.00 | ACUITE A1+ Upgraded |
| Axis Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE A1+ Upgraded |
| Punjab National Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 50.00 | ACUITE A1+ Upgraded |
| Federal Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 39.50 | ACUITE A1+ Upgraded |
| Kotak Mahindra Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 16.39 | ACUITE AA- Stable Upgraded |
| Federal Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 63.00 | ACUITE AA- Stable Upgraded |
| Kotak Mahindra Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 13.61 | ACUITE AA- Stable Upgraded |
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 25.00 | ACUITE AA- Stable Upgraded |
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 43.00 | ACUITE AA- Stable Upgraded |
| Axis Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 34.00 | ACUITE AA- Stable Upgraded |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE AA- Stable Upgraded |
| Axis Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 4.00 | ACUITE A1+ Upgraded |
| State Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 28.00 | ACUITE A1+ Upgraded |
| HDFC Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 60.00 | ACUITE A1+ Upgraded |

| | | | | | | | | |
|------------------------------|----------------|------------------|----------------|----------------|----------------|--------|-------|--------------------------------|
| Federal Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 7.00 | ACUITE A1+ Upgraded |
| Punjab National Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE A1+ Upgraded |
| Federal Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 13.00 | ACUITE AA- Stable Upgraded |
| Aditya Birla Finance Limited | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 12.11 | ACUITE AA- Stable Upgraded |

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)**

Name of the subsidiaries:

1. Jupiter Electric Mobility Private Limited
2. Habitation Real Estate LLP

Name of the JVs:

1. JWL Kovis (India) Private Limited
2. JWL DAKO-CZ (India) Limited
3. JWL Talegria (India) Private Limited

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About Acuité Ratings & Research

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