



Press Release
JINKUSHAL INDUSTRIES PRIVATE LIMITED
October 30, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 40.00 Cr bank facilities of Jinkushal Industries Private Limited (JIPL). The outlook is '**Stable**'.

Rating Rationale

The rating assigned reflects the established track record of operations of the company and the experience of the promoters in the heavy construction equipment industry. The rating also favors factors in the healthy scale of operations of the company and comfortable profitability margins. The rating also derives strength from the efficient working capital management of the company marked by low level of inventory at 20 days in FY 2023 (Prov) and efficient debtor collection mechanism. The adequate liquidity position as reflected in the low utilization in the fund-based limits (~26 per cent for last six months ended August 2023), further supports the rating. These strengths are partially offset by the competitive nature of the industry and cyclical nature in the end user industry.

About the Company

Incorporated in 2007, Jinkushal Industries Private Limited (JIPL) is engaged in the trading of heavy construction equipments. Initially, the company had started with mining business, warehousing, leasing and later in 2017 it ventured into used and new construction equipment exports and import. The export business is now expanded in 30+ countries across 6 continents and has also enabled the company to achieve the Status of Government of India Recognized Star Export House Status. Hence, the company is now focusing on the export business solely due to the high growth potential in this business. The core business model comprises sourcing used machines from across India, refurbishing and enhancing them to a ready-to-use state, adding significant value in the process, and subsequently exporting these machines worldwide. JKIPL was founded by Mr. Anil Jain and his son, Mr. Abhinav Jain joined the legacy.

Unsupported Rating

None

Analytical Approach

Acuite has considered the standalone business and financial risk profile of JIPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

JPL has a long operational track record of around three decades in the operations ranging

from mining to construction to export of heavy construction equipments to third party warehouse and logistics. Moreover, the promoter of JIPL, Mr. Anil Kumar Jain has more than 30 years of experience in the mining and heavy machinery industry. He is ably supported by his son, Mr. Abhinav Jain, who has more than 10 years of experience and looks after the day-to-day operations of the company.

Acuite believes that the established track record and the extensive experience of the promoter shall support the business risk profile to an extent in the near to medium term.

Steady business risk profile

The operating income of the company has improved to Rs.233.32 Cr in FY2023 (prov) as against Rs.177.03 Cr in FY2022 and Rs.76.63 Cr in FY2021, registering a 3-yr CAGR of ~45 per cent, majorly attributed to enhanced sales volume and the company. The company has achieved a revenue of Rs.86.26 Cr in 5MFY24 and is expected to achieve ~Rs.250.00 Cr in FY2024 backed by increased demand of the used construction equipments globally.

The operating margin of the company improved to 6.40 per cent in FY2023 (prov) as against 5.69 per cent in FY2022 owing to decline in the material cost. The company is able to procure equipments at a lower cost in India due to cheap labor and India's automotive manufacturing hub ecosystem. The PAT margins moderated to 4.36 per cent in FY2023 (prov) as against 4.52 per cent in FY2022. The ROCE declined still stood healthy at 45.29 per cent in FY2023 (prov) as against 57.73 per cent in FY2022.

Acuite believes sustenance in the profitability margins will remain a key monitorable.

Healthy financial risk profile

The company's healthy financial risk profile is marked by comfortable net worth base, low gearing and strong debt protection metrics. The tangible net worth of the company increased to Rs.23.93 Cr as on March 31, 2023 (Prov) from Rs.13.75 Cr as on March 31, 2022, due to accretion of profits to reserves. Gearing of the company improved and stood comfortable at 0.55 times as on March 31, 2023 (Prov) as against 0.83 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.03 times as on March 31, 2023 (Prov) as against 1.67 times as on March 31, 2022. Moreover, the strong debt protection metrics is marked by Interest Coverage Ratio of 23.14 times as on March 31, 2023 (Prov) against 19.51 times as on March 31, 2022; and Debt Service Coverage Ratio at 9.25 times as on March 31, 2023 (Prov) as against 6.19 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.84 times as on March 31, 2023 (Prov) as against 0.74 times as on March 31, 2022.

Acuite believes that going forward the financial risk profile of the company is likely to be sustained backed by steady accruals and no major debt funded capex plans.

Efficient working capital management

The company has an efficient working capital management marked by improved GCA days of 42 days in FY2023 (prov) as against 52 days in FY2022. The company has an efficient inventory and debtor management. Inventory days stood at 20 days in FY2023 (prov) as against 22 days in FY22; debtor collection stood healthy at 1 day in FY2023 (prov).

Acuite believes that going forward, the working capital management may continue to remain efficient marked by comfortable inventory and debtor management.

Weaknesses

Competitive industry and inherent cyclicality in end-user industry

JIPL's revenues are directly linked to the construction activity levels, mainly mining and infrastructure projects. These sectors are closely linked to the macro-economic conditions and hence, the company's operations remain vulnerable to the cyclical slowdown in the economy. It faces stiff competition from both domestic and international players, which constrains the pricing flexibility to fully pass on the input cost pressure.

Rating Sensitivities

- Sustenance in the scale of operations and profitability margins.
- Elongation of working capital cycle.

All Covenants

None.

Liquidity Position**Adequate**

The company has an adequate liquidity position marked by net cash accruals of Rs.11.17 Cr in FY2023 (prov) as against current debt repayment obligation of only Rs.0.62 Cr over the same period. Further, the company is expected to generate sufficient net cash accruals to repay its debt obligations in near to medium term. The current ratio improved and stood moderate at 1.27 times as on March 31, 2023 (prov) as against 1.22 times as on March 31, 2022. Further, the company's dependence on fund based limits is very low reflected by utilization at 26.01 per cent for the last six months ended August 2023. The cash and bank balance of the company stood at Rs.8.32 Cr as on March 31, 2023 (Prov) as against Rs.1.56 Cr in FY2022. Moreover, the efficient working capital management of the company is marked by Gross Current Assets (GCA) of 42 days in FY2023 (Prov) as compared to 52 days in FY2022.

Acuité believes that going forward the company is likely to maintain an adequate liquidity position due to expected steady accruals.

Outlook: Stable

Acuité believes the outlook on JIPL will remain 'stable' over the medium term backed by experience of its promoter and healthy business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or elongation in its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	233.32	177.03
PAT	Rs. Cr.	10.18	8.00
PAT Margin	(%)	4.36	4.52
Total Debt/Tangible Net Worth	Times	0.55	0.83
PBDIT/Interest	Times	23.14	19.51

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.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 :

None

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	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB Stable Assigned
Indusind Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB Stable Assigned
Yes Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 sakshi.seksaria@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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