John Cockerill India Limited

March 17, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	347.50 (Enhanced from 291.00)	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of John Cockerill India Limited (JCIL) considers the improvement in operating performance of the company in FY22 and 9MFY23. The total operating income improved from Rs. 202 crore in FY21 to Rs. 389 crore in FY22. During 9MFY23 the company has recorded revenue of Rs. 291 crore. The order book position has improved which provides medium term revenue visibility. Liquidity remains adequate marked by adequate cash balances and no utilization of fund based working capital limits.

The ratings continue to draw comfort from JCILs' established track record of operations in industrial construction activity, its global presence and geographical diversification of operations owing to strong parentage and strong order book position providing medium term revenue visibility. The above rating strengths are offset by customer concentration risk and inherent cyclicality and prospects correlated with the capex cycle of steel industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in Total operating income above Rs. 500 crore
- Improvement in the operating profitability margins (PBILDT) to 10% and above on sustained basis

Negative factors

- Decline in order book leading to reduced revenue visibility
- Decline in operating profitability of the business below 5.00% on sustained basis
- Any significant deterioration of the operating cycle
- Deterioration in the credit profile of the JC group on the consolidated basis

Analytical approach: Standalone

CARE Ratings has adopted the standalone approach for analysing bank facilities of JCIL as it does not have any subsidiaries.

Outlook: Stable

CARE expects the credit profile to remain stable considering the strong order book position which provides medium term revenue visibility.

Key strengths

Strong parentage and established track record of JCIL in industrial construction activity

JCIL is majorly held by JC group (75% shareholding by John Cockerill group as on March 31, 2022). Headquartered in Belgium, JC group is an international supplier specialising in the production of machinery for steel plants (cold rolling mills, picking lines, processing lines, automation, and process controls etc.) industrial heat recovery equipment, boilers, defence equipment etc. The operations of the group are classified under the five heads namely: Energy, Defence, Industry, Environment and Services. JCIL operations falls under the ambit of Industry. JCIL has over three decades of experience in the designing, manufacturing, erection and commissioning of cold rolling mill complexes, processing lines, chemical equipment, industrial furnaces and auxiliary equipment meeting global

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

demand for ferrous and non-ferrous industries. Over the years, the company has catered to domestic and international clientele with revenue spread across geographies.

Global presence and geographical diversification of operations
JCIL has access to established global footprint which has provided accessibility to geographically diversified array of clientele. Majority of the exports are to Bangladesh, Spain, Belgium, Kenya, Myanmar and Egypt. JCIL derived around 19% of the total revenue from export markets in FY22. The share of exports in total revenue base has been declining since FY19 and stood at 19% in FY22. During FY22, JCIL reported Rs.389 crore of total operating income against Rs.202 crore in FY21. The same is on account of execution of the orders accumulated in FY21. Revenue has improved on account of healthy recovery from COVID related impact in the industry.

Strong Order Book position providing revenue visibility in medium term
JCIL has shown improvement in the order book position on account of a large order of Arcelor Mittal Nippon Steel India worth Rs. 1069 crores, JCIL has started to book revenue from the same in Q3 of FY23. Till December 22 JCIL has received Rs. 158 crores towards advances and Rs. 102 crores towards basic design. Further, in May/Jun it is expected to receive Rs. 100 crores towards detailed design. JCIL has executed orders of TATA Steel and material has been delivered, currently the project is in installation and commissioning stage. Once these orders are executed JCIL has orders from domestic customers in pipeline, providing revenue visibility over medium term.

Improvement in debtors in FY22 on account of effective execution of orders
During FY21, due to slow pace of order execution along with shutting of operations during March 2020 to May 2020, it led to the high pending receivables which led to elevated receivable cycle in FY21, however in FY22 due to effective execution of order has lead to improved collection period. The receivables days are reduced from 233 days in FY21 to 136 days in FY22.

Key weaknesses

Customer concentration risk
The company is mainly engaged in the design, manufacturing, erection, and commissioning of facilities for steel players. Thus, the order book and hence, the performance of the company is primarily dependent on the prospects of the highly cyclical steel industry. Although, the profile of the top customers has slightly changed over the years, yet majority of the sales were accounted by the top 5 customers with 85% of revenue contribution in FY22. The company has a policy of taking advances from the customers at the time of receipt of order which ranges from 15% to 30% of the order depending upon the project and the customer. The contractual arrangements with its customers are such that generally, 10% to 20% of contract value is received as mobilisation advance, another 10% to 20% is received on completion of engineering , 50% to 70% when the equipment's are dispatched and the remaining 10% is held back towards retention and is received on successful commissioning.

Inherent cyclicality of the steel industry
Prospects of steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of industries, viz. automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, steel industry may witness decline in demand, thereby impacting volumes, revenue and margins of steel makers. The company is mainly engaged in the design, manufacturing, erection and commissioning of facilities for steel players. Thus, the order book and hence, the performance of the company is primarily dependent on the prospects of the highly cyclical steel industry.

Liquidity: Adequate
The liquidity profile remains adequate marked by cash and bank balance of Rs. 210 crore (including Margin money of Rs. 22 crore) and NIL external long-term debt as on December 31, 2022. The working capital utilisation for the fund-based limits remains nil as on January 31, 2023. The unutilised working capital limits are sufficient to cover the working capital requirements of the company over medium term. The company has no heavy capex planned for the medium term and the current ratio of 1.52x as on March 31, 2022, further augments the liquidity profile of JCIL.

Applicable criteria

- Policy on default recognition
- Factoring Linkages Parent Sub JV Group
- Financial Ratios – Non financial Sector
- Liquidity Analysis of Non-financial sector entities
- Rating Outlook and Credit Watch
- Short Term Instruments
- Manufacturing Companies
- Policy on Withdrawal of Ratings

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Incorporated in 1986, John Cockerill India Limited (JCIL, formerly known as CMI FPE Limited) was promoted by Mr. T R Mehta as Flat Products Equipment India Limited (FPE). In June 2008, FPE was acquired by Cockerill Maintenance and Ingenerie SA group (CMI, now rebranded as JC group). Since then, the company has been a part of JC group vertical. JCIL designs, manufactures, and installs cold-rolling mills, galvanising lines, colour-coating lines, tension-levelling lines, skin-pass mills, acidregeneration plants, wet-flux lines, and pickling lines for ferrous and non-ferrous industries world-wide. It has two manufacturing facilities - at Taloja and Hedavali, both in Maharashtra and has global footprints across Asia, Africa, Middle East, Europe, North America, and South America.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	202.42	388.70	291.10
PBILDT	-23.24	15.40	11.35
PAT	-29.06	4.64	3.09
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	-11.04	2.25	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	104.00	CARE BBB+; Stable / CARE A2
Fund-based/Non-fund-based-LT/ST		-	-	-	243.50	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	104.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (04-Feb-22) 2)CARE A-; Negative / CARE A2+ (05-Apr-21)	-	1)CARE A-; Stable / CARE A1 (31-Mar-20)
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	243.50	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (04-Feb-22) 2)CARE A-; Negative / CARE A2+ (05-Apr-21)	-	1)CARE A-; Stable / CARE A1 (31-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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