John Cockerill India Limited (Revised)

7th March ,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	347.50	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 FY23 and 9MFY24. The total operating income improved from Rs. 386 crore in FY22 to Rs.488 crore in FY23. During 9MFY24 the company has recorded revenue of Rs. 666 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, strong order book position providing medium term revenue visibility. The above rating strengths are offset by fixed price nature of the contract exposing the company to increase in input cost, low profitability margin due to competitive nature of the industry, 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. 600 Crore
- Improvement in the profitability margins to 8% and ROCE 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 3% on sustained basis
- Any significant deterioration of the operating cycle
- Deterioration in the credit profile of JC Group on the consolidated basis

Analytical approach: Standalone ; with operational and business linkages with group companies.

Outlook: Stable

CARE expects the company to maintain its operating performance based on the significant order book position providing medium term revenue visibility.

Detailed description of the key rating drivers:

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

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, 2023). 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 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 9% of the total revenue from export markets in FY23.

Established market position in setting up cold rolling mills

Superior technology and timely execution have helped the company to establish its market position, as one of the largest manufacturers of CR mills in India. Strong relationships with customers ensure a flow of repeat orders.

Strong Order Book position providing revenue visibility in medium term

JCIL currently has an orderbook worth Rs. 755 crores on the back of orders from Tinplate Company of India Ltd and Arcelor Mittal Nippon Steel. The AMNS contract worth Rs. 1068 crores was received in March 2022 and part revenue was booked in FY23. The remainder is expected to be booked by the end of calendar year 2024. The total order value of Tinplate Company of India Ltd is Rs. 280 crores which was received in November 2023 out of which Rs. 55 crores worth of advance is expected from first week of March. Additionally, the company's revenue visibility in the near term is supported by orders worth Rs. 800 crores in the pipeline, along with focus on spares and revamping business which yields higher margins.

Improvement in debtors in FY23 on account of effective execution of orders

The receivables cycle was elevated in FY21 due to delay in recovery from the customer. Since then, receivables days have improved consistently due to effective execution of orders. The average collection period has improved consistently from 233 days in FY21 to 136 days in FY22 to 110 days in FY23.

Key weaknesses

Exposed to input price volatility

The contracts are fixed price in nature. Thus, the company is exposed to input price volatility. The company tries to mitigate the risk by procuring the materials on receipt of the order. Further the contract execution period is short with timeline typically spanning 1-2 years providing some mitigant.

Low profitability due to competitive nature of the industry

The profitability continues remain low with PBILDT margin between 3-5%. Profitability is expected to remain subdued due to intense competition. RoCE was low at 6.91% in FY23 and is expected to remain at single digit in medium term.

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 10 customers with 97% of revenue contribution in FY23. 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. 135.00 crore (including Margin money of Rs. 28 crore) and NIL external long-term debt as on December 31, 2023. The working capital utilisation for the fund-based limits remained nil for the twelve months ended December 2023. The unutilised working capital limits are sufficient to cover the working capital requirements of the company over medium term. The current ratio stood at 1.48x as on 31st March 2023.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

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, acid regeneration 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, 2022 (A)	March 31, 2023 (A)	9MFY24 (A)
Total operating income	385.89	487.95	666.62
PBILDT	12.60	10.90	32.26
PAT	4.64	12.89	21.63
Overall gearing	0.00	0.00	NA
Overall gearing (including customer advances backed by bank guarantee considered as debt)	0.08	0.73	NA
Interest coverage (times)	1.84	5.64	13.84

A: Audited UA: Unaudited NA: Not Applicable; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of 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		-	-	-	347.50	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 2023-2024	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	347.50	CARE BBB+;	-	1)CARE BBB+;	1)CARE BBB+;	-

				Stable / CARE A2		Stable / CARE A2 (17-Mar-23)	Stable / CARE A2 (04-Feb-22) 2)CARE A-; Negative / CARE A2+ (05-Apr-21)	

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Sudarshan Shreenivas Director **CARE Ratings Limited** Phone: 912267543566 E-mail: sudarshan.shreenivas@careedge.in Arunava Paul Associate Director **CARE Ratings Limited** Phone: 912267543667 E-mail: arunava.paul@careedge.in Arnav Navarange Rating Analyst **CARE Ratings Limited** E-mail: Arnav.Navarange@careedge.in

About us:
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