

JWIL Infra Limited

November 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	90.00	CARE A-; Stable	Upgraded from CARE BBB+; Stable
Long-term / Short-term bank facilities	700.00	CARE A-; Stable / CARE A2+	Upgraded from CARE BBB+; Stable / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised ratings from 'CARE BBB+; Stable/CARE A2' to 'CARE A-; Stable/CARE A2+' assigned to bank facilities of JWIL Infra Limited (JWIL). Revision factors in the significant growth in scale of operations in FY24 (refers to period April 01 to March 31) backed by healthy execution of projects and adequate revenue visibility in near to medium term with order book of ₹4,485.64 crore as on September 30, 2024.

Ratings continue to derive comfort from the company being a part of well-established and resourceful PR Jindal group and well supported by efficient management with considerable experience in handling water management projects.

The company's financial risk profile continues to remain moderate marked with leveraged capital structure, moderate despite improving debt protection metrics, and working capital intensive operations being an engineering, procurement, and construction (EPC) player. CARE Ratings also takes note of the support from promoter group in the form of unsecured loans, optionally fully convertible debentures (OFCDs) and near term conversion of OFCDs into equity which shall bring in the notable improvement in financial risk profile in medium term by improving its net worth base.

Ratings also remain constrained by the presence in tender-based nature of business and exposure towards the prevalent competition in water infrastructure sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to maintain healthy order book providing revenue visibility and ability to execute the projects without significant delays reflecting in improvement in scale of operations and operating margins of over 10% on sustained basis.
- Improvement in financial risk profile with interest coverage ratio above 5x.

Negative factors

- Inability of the company to secure new orders leading to decline in the orderbook position impacting revenue visibility and operating margins below 8% on sustained basis.
- Deterioration in capital structure with total outside liabilities (TOL) to tangible net worth (TNW) above 3.0x beyond FY25 on sustained basis.

Analytical approach: Standalone factoring in financial, managerial, and operational linkages with PR Jindal group.

Outlook: Stable

The 'stable' outlook reflects CARE Ratings' opinion that JWIL is expected to maintain robust scale of operations backed by healthy orders inflow leading to sequential improvement in overall operational and financial risk profiles of the company in absence of major debt-funded capex plans in the near to medium term.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations with healthy order book position

JWIL has achieved substantial increase of 130% y-o-y in total operating income (TOI) to ₹2,164.47 crore in FY24 over FY23, majorly considering healthy execution of orders. The company's profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin though slightly moderated but stood comfortable at 9.48% in FY24 (PY: 10.13%), while profit after tax (PAT) margin has improved to 5.27% in FY24 (PY: 4.26%). However, the company has reported total income of ₹385 crore in Q1FY25 (refers to April 1 to June 30) with PBILDT of ₹47.53 crore.

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

Company's order book comprised projects crucial to government such as Jal Jeevan Mission, and AMRUT 2.0. among others, and most of the company's clientele comprised government/ government bodies. The unexecuted order book position stood healthy at ₹4,486 crore as on September 30, 2024 (vs ₹4,119 crore as on March 31, 2023), which is 2.1x FY24 revenue, providing revenue visibility over the medium term. Company's order book is currently skewed towards drinking water projects, which constitutes ~60% of its order book as on September 30, 2024, while irrigation projects constitute ~30% and Sewage Disposal projects constitutes remaining 10%. CARE Ratings observes, going forward, timely execution of orders and the company's ability to bag fresh orders at satisfactory margins and payment terms shall remain crucial for its credit profile.

Moderate though improving financial risk profile

Though the company's overall financial risk profile remains moderate, it showed improvement in FY24, as characterised by improvement in the overall gearing and enhanced debt coverage ratios. The overall gearing (including outstanding OFCDs from promoters of ₹121.30 crore as on March 31, 2024) stood at 2.25x as on March 31, 2024 (PY: 2.33x) owing to substantial outstanding mobilisation advances. Total debt to PBILDT and interest coverage of the company also improved to 3.1x and 3.9x, respectively, in FY24 from 4.1x and 2.5x, respectively, in FY23, owing to better profitability amidst improving scale of operations. Adjusted interest coverage (excluding notional interest on OFCDs) also improved to 4.6x in FY24 from 2.8x in FY23. Also, due to increase in cash accruals, total debt to gross cash accruals (TD/GCA) ratio improved to 5.5x in FY24. (PY: 8.7x). Overall risk profile is well aided by financial support from PR Jindal group.

Part of established and resourceful PR Jindal group

JWIL is a part of the PR Jindal group having rich business experience of nearly three decades in manufacturing submerged arc welded pipes, seamless pipes, ductile iron pipes, and pellets. Over the years, the group also diversified into rail wagon manufacturing, water infrastructure business, and waste to energy business through subsidiaries and SPVs. JWIL is getting regular financial support from promoter group by way of infusion of funds. The PR Jindal group is committed to further support the company financially, if need arises. There is high Reliance on Jindal Saw Limited (PR Jindal group's flagship company- rated 'CARE AA/ Stable; CARE A1+') for raw material procurement with favourable credit terms.

The company entered a strategic partnership with Samarpan Infra Holdings Private Limited (SIHPL), which is owned by Rishabh Sethi (current CEO of JWIL). The strategic partnership has benefitted the company over last three years by way of bringing in substantial expertise in the construction sector. Rishabh Sethi has vast experience in the construction industry and is the driving force behind complete turnaround of JWIL from loss-making entity to healthy cash accruals generating entity.

Key weaknesses

Working capital intensive nature of operations

The company's working capital cycle is elongated largely due to the long mobilisation period, retention money, and permissions process, and budget constraints of government bodies which affect the collection period. The company's operating cycle has improved to 82 days in FY24 (PY: 110 days), and remains comfortable as working capital in EPC segment is significantly high due to large collection period. Average collection days also reduced from 215 days in FY23 to 142 days in FY24, despite high unbilled revenue and retention money as on March 31, 2024, which is ~30% of TOI in FY24.

Competitive and tender-driven nature of the industry

The construction industry is highly fragmented with the presence of many organised and unorganised players. The competition remains fierce due to low entry barriers with many smaller players having limited capacity entering in the industry due to easy availability of technology. Apart from intense competition from established players and new entrants, the additional challenges, including workforce shortages, commodity price fluctuation, and cost escalations, persists across the industry. The same has bearing on the revenues, profitability and the margins of industry players.

Since most of the projects implemented by JWIL are from government bodies and spread over a wide territory, such projects require approvals/clearances from appropriate authorities. The company remains exposed to project execution risk owing to delay in getting required approvals which extends the expected completion dates. However, the company has reported marked improvement in its execution capabilities over the last couple of years after the induction of Rishabh Sethi in its management who has wide experience in the construction sector.

Thus, the business growth (the revenues and order book position) highly depends on government policies and company's ability to bid successfully for these tenders.

Liquidity: Adequate

JWIL has adequate liquidity as marked by GCA of ₹116.56 crore in FY24 and expected GCA of close to ₹170 crore in FY25 to cover the scheduled repayment obligations aggregating to ~₹24 crore (does not include repayment of promoter loans) in FY25. The company's average working capital utilisation was moderate at 72.1% for the trailing 12 months ended June 2024. There are no major capex planned in near term.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Construction](#)
[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Incorporated in October 2006, JWIL (formerly JITF Water Infrastructure Limited) is primarily engaged in constructing water supply systems, laying water supply distribution networks, construction, and management of wastewater treatment plants, among others. In FY16, it became a subsidiary of JITF Urban Infrastructure Services Limited (JUISL; rated 'CARE BBB-; Stable/ CARE A3') from the step-down subsidiary (at the time of incorporation) of Jindal SAW Limited (rated 'CARE AA; Stable/ CARE A1+'). In FY19, the company entered a strategic partnership with Samarpan Infra Holdings Private Limited (SIHPL). Glebe Trading Private Limited transferred its entire holding of 49% of shares of JWIL to SIHPL in FY21.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	940.51	2,164.47	384.64
PBILDT	95.32	205.10	47.53
PAT	42.84	114.16	21.60
Overall gearing (times)	2.33	2.25	2.31
Interest coverage (times)	2.49	3.88	2.80

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	90.00	CARE A-; Stable
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	700.00	CARE A-; Stable / CARE A2+

Annexure-2: Rating history for 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 2024-2025	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
1	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	700.00	CARE A- ; Stable / CARE A2+	-	1) CARE BBB+; Stable / CARE A2 (09-Oct-23)	1) CARE BBB; Stable / CARE A3+ (30-Aug-22)	1) CARE BBB; Stable / CARE A3+ (28-Jul-21)
2	Fund-based - LT-Cash credit	LT	90.00	CARE A- ; Stable	-	1) CARE BBB+; Stable (09-Oct-23)	1) CARE BBB; Stable (30-Aug-22)	1) CARE BBB; Stable (28-Jul-21)

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender details

 To view lender-wise details of bank facilities please [click here](#)

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

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About us:

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