

Jalpa Devi Engineering Private Limited

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.80 (Reduced from 47.56)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Jalpa Devi Engineering Private Limited (JDEPL) continues to remain underpinned by the parentage of Dilip Buildcon Limited (DBL) along with strong operational linkages with the parent. The rating also factors in presence of debt service reserve account (DSRA) equivalent to one-quarter of debt servicing obligations along with favourable demand outlook due to the thrust of the government on infrastructure development.

However, lower-than-envisaged ramp-up in scale of operations and ballooning debt repayments have weakened the debt coverage indicators and would require sponsor support from the parent – DBL, for uninterrupted operations of JDEPL in the medium term. DBL has a track record of supporting by way of extension of elongated credit period / advances for purchase of raw materials. However, any change in stance of DBL towards support to JDEPL shall be key rating monitorable.

The rating is, however, constrained on account of the moderate scale of operations, client concentration risk, leveraged capital structure with weak debt coverage indicators, ballooning structure of term loan repayment, working capital intensive nature of working capital intensive operations, and stretched liquidity position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with TOI increasing to ₹200 crore or more and PBILDT margins of 15% or more on a sustained basis.

Negative factors

- Non-adherence to sanctioned terms or change in stance of support from DBL.
- Inability to improve debt coverage indicators while achieving envisaged scale of operations and cash accruals.

Analytical approach:

Standalone while factoring parentage of DBL and resultant operational and financial linkages with DBL, along with the sponsor support undertaking to fund the shortfall in debt servicing.

Outlook: Stable

The stable outlook is underpinned by strong operational linkages with DBL, thereby ensuring healthy sales offtake and revenue visibility going forward due to captive consumption by DBL.

Detailed description of the key rating drivers:

Key strengths

Strong parentage of DBL

JDEPL is a wholly owned subsidiary of DBL, a Bhopal-based listed ISO 9001:2008 certified company engaged in the construction of roads and Bridges, Government Housing/Urban Development, DAM, Canal, Coal Mining, and Metros, among others on engineering, procurement, and construction (EPC), build-operate-transfer (BOT)/hybrid annuity model (HAM) basis for Government Agencies and private parties. DBL is one of the largest players in the Indian road construction sector in terms of the scale of operations and order book size. It has demonstrated a strong execution capability in the last few years with the completion of most of its projects before time on a pan-India basis. The parentage of DBL ensures need-based financial support to JDEPL thereby providing comfort from the credit perspective. DBL has also provided sponsor support undertaking to fund any shortfall

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

in debt servicing obligations of the company. Furthermore, DBL supported JDEPL's operations in FY24 with infusion of funds of ₹26.64 crore in the form of advances.

Strategic operational linkages with promoters

JDEPL is a wholly owned subsidiary of DBL and acts as a backward integration for DBL for supply of critical products on time and maintaining the required quality. Though JDEPL has a small share in the DBL group's overall revenue generation, it is a critical part of overall DBL group strategy to reduce outside reliance for steel alloy components used on its infrastructure products, thereby having better control on quality and reduced costs. Furthermore, DBL has extended sponsor support undertaking to fund any cost overrun in the project and shortfall in the debt servicing. In FY24, ~70-80% of the sales made by JDEPL were to DBL and its group companies demonstrating strong linkages with its parent. Availability of captive customer accounting for substantial manufacturing capacity having geographically diversified large order book of ₹17,355 crore as on September 30, 2024, provide adequate medium-to-long-term revenue visibility to JDEPL.

Various initiatives undertaken by the Government of India (GOI) to improve prospects of the infrastructure sector

JDEPL is engaged in the manufacturing of structural bearings, bridge expansion joints and Geo products which find use in the infrastructure sector mainly in the construction of road and bridges. Hence, an increase in the construction of roads and bridges across India shall fuel the growth of ancillary producing companies like JDEPL. The infrastructure sector is a key driver responsible for propelling India's overall development and it thereby enjoys intense focus from the Government for initiating policies that would ensure time-bound creation of world-class infrastructure in the country. The GoI is thereby expected to invest highly in the infrastructure sector, mainly highways, renewable energy, and urban transport.

Key weaknesses

Moderate scale of operations and profitability during FY24

With completion of capex, JDEPL has been able to scale-up its operations marked by TOI of ₹102.44 crore in FY24 (PY: ₹81.52 crore), however, has remained lower-than-envisaged. Operating profitability marked by PBILDT margin deteriorated from 16.92% in FY23 to 13.00% in FY24 due to higher input prices.

In 9MFY25 (provisional; refers to the period from April 1 to December 31), JDEPL reported total sales of ~₹95.00 crore. Going forward, growth in the scale of operations as envisaged shall remain key rating monitorable.

Leveraged capital structure and weak debt coverage indicators

JDEPL's capital structure of JDEPL continues to remain leveraged considering recent debt-funded capacity expansion capex undertaken by the company. Overall gearing of the company stands at to 2.09x as on March 31, 2024. Total debt of ₹68.17 crore includes external debt of ₹37.47 crore, unsecured loans from DBL of ₹26.07 crore and working capital bank borrowing of ₹4.63 crore. In FY24, debt coverage indicators for JDEPL remained weak marked by total debt / gross cash accruals (GCA) at 7.95x. It is on account of significantly lower-than-estimated TOI and profitability. This risk along with ballooning repayments has weakened debt coverage indicators. Going forward, JSEPL's ability to improve debt coverage indicators while turning around of operations shall be key rating sensitivity. Continuation of timely support from DBL shall also be equally important from credit perspective.

Working capital intensive nature of operations

JDEPL operates in working capital intensive operations industry, wherein the company is required to maintain considerable amount of inventory both in terms of raw materials and finished goods to cater to growing demand. Operating cycle of JDEPL remained stretched at 82 days in FY24 (PY: 70 days), primarily on account of inexplicit support extended by DBL in the in the capacity of JDEPL's major operational creditor. This substantially stretched credit period offered by DBL for the raw material supply has been a key enabler for JDEPL ongoing business operations.

Further, JDEPL shall remain exposed to variations in interest rate during the repayment period on the debt availed, owing to interest rate resets which will be carried out by the lender periodically. As a result, steep increases in interest rate will subject the company to lower cash accruals.

Liquidity: Stretched

JDEPL's liquidity is underpinned by the fact that it has access to timely need-based financial support from DBL owing to strong sponsor support undertaking to fund shortfall in debt servicing obligation. JDEPL has also created DSRA of ₹2.25 crore in the form of fixed deposit equivalent to one-quarter of debt servicing obligation. Average working capital utilisation for the last 12 months stands ~80%.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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](#)

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[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Aluminium, copper & zinc products

Jalpa Devi Engineering Private Limited (JDEPL) is a wholly owned subsidiary of Dilip Buildcon Limited which is engaged in construction of roads, bridges, housing, and other projects on EPC, BOT/HAM basis for government and private companies. JDEPL was incorporated by DBL with an intent to gain a competitive edge in terms of cost and quality of work through inhouse backward integration of manufacturing facilities to manufacture essential ancillary structures and components on a day-to-day basis. JDEPL is engaged in manufacturing of alloy steel castings and all types of mining and crushing industry wear parts having capacity 34,800 MTPA. The manufacturing facility of JDEPL is located at Dhar, Madhya Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	81.52	102.14
PBILDT	13.79	13.28
PAT	2.51	3.00
Overall gearing (times)	2.88	2.09
Interest coverage (times)	2.61	2.72

A: Audited; 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		-	-	-	5.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31/01/2026	15.80	CARE BBB-; Stable

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	Fund-based - LT-Term Loan	LT	15.80	CARE BBB-; Stable	-	1)CARE BBB-; Stable (27-Feb-24)	1)CARE BBB; Stable (02-Feb-23)	1)CARE BBB; Stable (03-Nov-21)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (27-Feb-24)	1)CARE BBB; Stable (02-Feb-23)	1)CARE BBB; Stable (03-Nov-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the 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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