ICRA

March 27, 2017

Jupiter Wagons Limited

Instrument*	Rated Amount (in crore)	Rating Action
Long-term Fund-based Limits	35.00	[ICRA]BBB+ (Stable) assigned
Short-term Non Fund-based Limits	85.00	[ICRA]A2 assigned
Total	**120.00**	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has assigned the long-term rating of **[ICRA]BBB+** (pronounced ICRA triple B plus) to the Rs. 35.00-crore[1] fund-based facilities of Jupiter Wagons Limited (JWL)[2]. The outlook on the long-term rating is **Stable**. ICRA has also assigned the short-term rating of **[ICRA]A2** (pronounced ICRA A two) to the Rs. 85.00-crore non-fund based facilities of JWL.

Detailed rationale

While arriving at the ratings, ICRA has evaluated the business risk profile of JWL on a consolidated basis along with its group entity, Jupiter Alloys & Steel (India) Limited (JASL, rated at [ICRA]BBB+ /Stable/ [ICRA]A2), because of the strong managerial, operational and financial linkages between these companies. The ratings take into account the comfortable financial profile of JWL, as indicated by a low gearing and healthy coverage indicators coupled with equity infusion of Rs. 11.50 crore by Tatravagonka A.S. (TAS), a Slovakia-based wagon manufacturer, which is expected to support the company's working capital needs in the near future along with fetching orders from the overseas market. ICRA also considers the comfortable order book position of Rs. 185.95 crore as on December 2016 end, providing revenue visibility in the short term. JWL reported an OI of Rs. 269.36 crore in FY2016, a growth of 24% over the previous year. In addition, the ratings draw support from JWL's long track record as well as high entry barrier to the wagon-manufacturing industry. Further, the ratings take into account the presence of the embedded escalation clause in the existing contracts, partially mitigating the raw material price risk.

The ratings are, however, constrained by the tender based contract awarding system which tends to keep the operating margin under check. ICRA also notes JWL's high client concentration; the impact of which was witnessed in FY2014 when the scale of operations declined in the backdrop of delay in release order for manufacturing by the Indian Railways (IR). However, the same was curtailed in FY2015 in the backdrop of release of some orders by IR and incremental work orders from others. Going forward, the management would maintain to diversify its client base, which in ICRA's opinion would continue to positively impact JWL's revenue contribution mix. Nevertheless, the management's ability to win orders outside IR and maintain its profitability as well as working capital requirements would remain the key rating sensitivities.

[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- Established player in the wagon-manufacturing industry with more than eight years of operations; high entry barriers in the segment limits competition
- Comfortable financial profile, as indicated by a low gearing and healthy coverage indicators
- Comfortable order-book position of Rs. 185.95 crore as on end December, 2016 provides revenue visibility in the short term
- Equity participation by Tatravagonka A.S. (Tatravagonka), a Slovakia-based wagon manufacturer, is likely to meet the increased working capital needs and also help in fetching orders from overseas market

Credit weaknesses

- Extensive reliance on IR to procure business exposes JWL to high client concentration risk; the ability of the company to win orders from other players remains to be seen
- Tender-based nature of railway orders limits scope for any significant improvement in profit margins; however, inbuilt price-variation clauses in railway contracts protects margins from input cost hike to a large extent

Detailed description of key rating drivers highlighted above:

JWL manufactures and supplies various kinds of wagons, primarily for transportation of goods for the Indian Railways (IR). It also involves fabrication work where steel sheets and plates are cut, shaped and welded as per the design approved by the Research, Designs & Standards Organisation (RDSO), railway designing and inspecting agencies, and fixed with other parts and materials required for the manufacturing of wagons. JWL's high reliance on IR to procure orders exposes it to high client concentration risk. In FY2016, the average monthly production improved to 169 wagons compared to 131 wagons a year ago. In addition, IR supplies key component like wheel sets to players like Jupiter Wagons Limited.

Going forward, the management intends to take up work orders outside the IR to diversify its client base, which in ICRA's opinion would positively impact JWL's revenue contribution mix. Nevertheless, the management's ability to win orders outside IR and maintain its profitability as well as working capital requirements would remain the key rating factors.

Tatravagonka A.S. (TAS), is a Slovakia-based company engaged in manufacturing and sales of rail freight vehicles and bogies in Europe. During FY2016, TAS has picked up a 13% stake in JWL. The equity infusion is supporting the working capital needs of JWL in addition to the likely receipt of orders from the international market in the future. As on December 31, 2016, the orders pending to be executed stood at Rs. 185.95 crore which lends moderate revenue visibility in the near term as the orders have to be executed over the next 9-12 months. JWL has also bid for orders from the IR (which has not yet been opened) and given its past track record, it expects to win a number of orders. JWL is in the process of securing orders from non-Railways clients also, which, if successful, would mitigate the client-concentration risk to some extent. However, its ability to win such orders remains to be demonstrated.

Analytical approach: For arriving at the ratings, ICRA has taken into account the overall business risk profile of JWL on a consolidated basis along with its group entity, Jupiter Alloys & Steel (India) Limited

(JASL, rated at [ICRA]BBB+ /Stable/ [ICRA]A2), because of the strong managerial, operational and financial linkages between the two companies. Besides, ICRA has taken into account the debt-servicing track record of JWL, its business risk profile, financial risk drivers and the management profile.

Links to applicable Criteria
Corporate Credit Rating –A Note on Methodology

About the company:

Incorporated in 2006, Jupiter Wagons Limited (JWL) is a part of the Jupiter Group. The company commenced operations in November 2008 and is managed by Mr. Vivek Lohia and Mr. Vikash Lohia.

JWL has been engaged in manufacturing and supplying of various kinds of wagons, primarily for the transportation of goods for Indian Railways (IR). The wheel set is supplied by the IR, whereas the other components like couplers, bogies and CMS crossings are sourced from Jupiter Alloys and Steel (India) Limited and other wagon manufacturers. The manufacturing unit of the company is situated at Hooghly, West Bengal.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated Amount (Rs. Crores)	Month-Year & Rating	Month-Year Rating in FY2016	Month-Year & Rating in FY2015	Month-Year & Rating in FY2014
				March 2017	-	-	-
1	Corporate Loan	Long Term	5.00	[ICRA]BBB+ (Stable)	-	-	-
2	Cash Credit	Long Term	30.00	[ICRA]BBB+ (Stable)	-	-	-
3	Letter of Credit	Short Term	30.00	[ICRA]A2	-	-	-
4	Bank Guarantee	Short Term	54.00	[ICRA]A2	-	-	-
5	Derivative/ FC/ CEL	Short Term	1.00	[ICRA]A2	-	-	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Corporate Loan	July, 2014	12.95%	March, 2019	5.00	[ICRA]BBB+ (Stable)
Cash Credit	-	-	-	30.00	[ICRA]BBB+ (Stable)
Letter of Credit	-	-	-	30.00	[ICRA]A2
Bank Guarantee	-	-	-	54.00	[ICRA]A2
Derivative/ FC/ CEL	-	-	-	1.00	[ICRA]A2

Name and Contact Details of the Rating Analysts:

Jayanta Roy
+91 33 7150 1100
jayanta@icraindia.com

Sujoy Saha
+91 33 7150 1184
sujoy.saha@icraindia.com

Sandipan Kumar Das
+91 33 7150 1190
sandipan.das@icraindia.com

Name and Contact Details of Relationship Contacts:
Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

ICRA

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata
Mr. Jayanta Roy
Mobile: **+91 9903394664**
Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231

Pune
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500