Jupiter Wagons Limited

February 26, 2019

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Corporate Loan	5.00	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING revised from [ICRA]BBB+@ ISSUER NOT COOPERATING; Rating continues to remain under 'Issuer Not Cooperating' category'
Fund Based – Cash Credit	30.00	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING revised from [ICRA]BBB+@ ISSUER NOT COOPERATING; Rating continues to remain under 'Issuer Not Cooperating' category'
Non-Fund Based – Letter of Credit	30.00	[ICRA]A3 ISSUER NOT COOPERATING revised from [ICRA]A2@ ISSUER NOT COOPERATING; Rating continues to remain under 'Issuer Not Cooperating' category'
Non-Fund Based – Bank Guarantee	54.00	[ICRA]A3 ISSUER NOT COOPERATING revised from [ICRA]A2@ ISSUER NOT COOPERATING; Rating continues to remain under 'Issuer Not Cooperating' category'
Non-Fund Based – Derivative/ FC/CEL	1.00	[ICRA]A3 ISSUER NOT COOPERATING revised from [ICRA]A2@ ISSUER NOT COOPERATING; Rating continues to remain under 'Issuer Not Cooperating' category'
Total	**120.00**	

*Instrument details are provided in Annexure-1
@ placed on watch with negative implications

Rationale

ICRA has downgraded the ratings assigned to the bank limits of Jupiter Wagons Limited (JWL) subsequent to its acquisition of a majority stake in Commercial Engineers and Body Builders Co Ltd (CEBBCO) under a Resolution Plan (RP). ICRA expects the acquisition to have a negative impact on JWL's financial risk profile, in the near term at least.

The ratings continue to derive comfort from the established position of JWL in the wagon-manufacturing industry and the high barriers to entry in the wagon manufacturing industry, which limits competition.

The ratings, however, continue to be constrained by JWL's high reliance on Indian Railways to secure business and the tender-based contract awarding system followed by IR, which provides limited scope for improvement in margins.

Key rating drivers

Credit strengths

Established track record of operations – JWL is an established player the wagon-manufacturing industry and the promoters possess over ten years of experience in business. Further, high entry barriers in this segment limits competition.

Credit challenges

Sizable investment in a weaker company – JWL has acquired a majority stake in CEBBCO under a Resolution Plan. ICRA notes that the acquisition is likely to negatively impact JWL's financial risk profile, in the near term at least.

High customer-concentration risk – JWL places extensive reliance on IR to procure business which exposes it to high customer-concentration risk.

Limited scope for improvement in margins due to tender-based nature of contracts – 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.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:
Corporate Credit Rating 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 of various kinds of wagons, primarily for the transportation of goods for Indian Railways (IR). The manufacturing unit of the company is situated at Hooghly, West Bengal.

Erstwhile group company, Jupiter Alloys & Steel (India) Limited (JASIL) which was mainly involved in manufacture of critical safety casting items used in the railway rolling stock and coaches and in the railway track, viz. cast-steel bogies, high-tensile couplers, draft gears, cast manganese steel castings, CMS crossings etc. has merged with JWL with effect from April 1, 2016. The scheme of merger was sanctioned by NCLT, Kolkata Bench on February 8, 2018.

JWL has recently announced the completion of acquisition of a majority stake in Commercial Engineers and Body Builders Co Limited (CEBBCO).

Key financial indicators

Not applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)						Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) March 31, 2017	Date & Rating			Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					February 2019	September 2018	August 2018	-	March 2017	-
1	Corporate Loan	Long Term	5.00	11.31	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING*	[ICRA]BBB+@ ISSUER NOT COOPERATING*	[ICRA]BBB+@	-	[ICRA]BBB+ (Stable)	-
2	Cash Credit	Long Term	30.00	24.33	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING*	[ICRA]BBB+@ ISSUER NOT COOPERATING*	[ICRA]BBB+@	-	[ICRA]BBB+ (Stable)	-
3	Letter of Credit	Short Term	30.00	-	[ICRA]A3 ISSUER NOT COOPERATING*	[ICRA]A2@ ISSUER NOT COOPERATING*	[ICRA]A2@	-	[ICRA]A2	-
4	Bank Guarantee	Short Term	54.00	-	[ICRA]A3 ISSUER NOT COOPERATING*	[ICRA]A2@ ISSUER NOT COOPERATING*	[ICRA]A2@	-	[ICRA]A2	-
5	Derivative/ FC/ CEL	Short Term	1.00	-	[ICRA]A3 ISSUER NOT COOPERATING*	[ICRA]A2@ ISSUER NOT COOPERATING*	[ICRA]A2@	-	[ICRA]A2	-

@ placed on rating watch with negative implications
** Issuer did not co-operate; based on best available information*

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Corporate Loan	July, 2014	12.95%	March, 2019	5.00	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING*
-	Cash Credit	-	-	-	30.00	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING*
-	Letter of Credit	-	-	-	30.00	[ICRA]A3 ISSUER NOT COOPERATING*
-	Bank Guarantee	-	-	-	54.00	[ICRA]A3 ISSUER NOT COOPERATING*
	Derivative/ FC/ CEL	-	-	-	1.00	[ICRA]A3 ISSUER NOT COOPERATING*

Source: Jupiter Wagons Limited

** Issuer did not co-operate; based on best available information*

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About ICRA Limited:

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