March 21, 2025

JSK Industries Private Limited: Ratings reaffirmed/assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term: Fund-based - Cash credit	48.00	48.00	[ICRA]A (Stable); reaffirmed
Long-term: Fund-based - Term loan	37.00	34.00	[ICRA]A (Stable); reaffirmed
Long-term: Non-fund based - Bank guarantee	155.00	175.00	[ICRA]A (Stable); reaffirmed/assigned for enhanced amount
Short-term: Fund based – Others - Electronic vendor finance scheme	0.00	150.00	[ICRA]A1; assigned
Short-term: Non-fund based - Letter of credit	601.70	620.00	[ICRA]A1; reaffirmed/assigned for enhanced amount
Short-term: Non-fund based – Others - Forward contract	0.00	8.50	[ICRA]A1; assigned
Total	**841.7**	**1035.5**	

** Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings for the bank facilities of JSK Industries Private Limited (JSK) factors in its healthy order book position of Rs. 1,602.9 crore as on January 28, 2025, which provides revenue visibility in the near term. This, along with the favourable demand conditions in the power transmission sector and a secular shift towards high-value conductors such as AL-59 and ACCC over conventional ACSR, provides avenues to grow the business over the near-to-medium term. Additionally, the increasing share of high-value products is expected to support a gradual improvement in the operating margins.

The ratings also positively reflect JSK's comfortable capital structure, marked by low gearing, and its adequate liquidity position. Further, JSK's established relationships with reputed clients in the power transmission segment, including large and financially strong entities, enhance its business stability. ICRA also notes that the company's sales to non-government entities are backed by letters of credit (LC), mitigating the counterparty credit risks and facilitating faster receivable realisation.

However, the ratings remain constrained by JSK's exposure to pricing pressures arising from increased competition in the industry, particularly in the ACSR conductor segment, which has historically kept its operating profit margins (OPM) under check. The limited value addition in its business model, coupled with the presence of reputed suppliers such as NALCO and Vedanta and a strong customer base that includes L&T and Adani, restricts JSK's bargaining power, further impacting the margins. While the ongoing transition towards high-value conductors is expected to support margin expansion over the medium term, the overall profitability remains modest. Additionally, JSK's operations are highly raw material intensive, with raw material costs accounting for 80-90% of the total sales Prices of aluminium, the primary raw material, have been volatile in the past, making the company's profitability vulnerable to the fluctuations in input costs. JSK mitigates this risk through order backed raw material sourcing. Moreover, JSK's revenue growth remains exposed to delays in project execution by customers due to external factors beyond its control, such as delays in securing the right of way. However, the Central Government's policy of allocating projects only after receipt of major clearances provides comfort to some extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its established position as well as a healthy order book position with favourable demand conditions in its end-user industries, which are expected to keep its credit metrics and liquidity position comfortable.

Key rating drives and their description

Credit strengths

Healthy order book position provides adequate near-term revenue visibility - JSK's current order book remains healthy, with outstanding orders worth Rs. 1,602.9 crore as on January 28, 2025, representing a trailing book to bill ratio of 0.9 times its FY2024 revenue. This, coupled with a favourable demand in the power transmission sector and a secular shift towards high-value conductors such as AL-59 and ACCC from conventional ACSR conductors, provides avenues to grow the business over the near-to-medium term. Further, the increasing share of these premium products is expected to support a gradual improvement in operating margins.

Comfortable financial profile and adequate liquidity position – JSK continues to demonstrate a comfortable financial profile, with minimal reliance on fund-based limits. The company primarily utilises non-fund-based facilities such as letters of credit and bank guarantees to support its operations. As on March 31, 2024, its capital structure remained comfortable, with a total outside liabilities-to-tangible net worth ratio of 0.4 times. While the interest coverage ratio moderated to 2.9 times in FY2024 from 4.8 times in FY2023 due to a slight decline in operating profit, the margins improved with the growing contribution of high-value-added products. Going forward, JSK's financial risk profile is expected to remain comfortable, supported by a healthy order book and limited dependence on debt. The company's liquidity position remains adequate, underpinned by sizeable unencumbered cash and liquid investments, along with unutilised bank limits.

Low exposure to counterparty credit risks; reputed customer profile – JSK maintains low exposure to counterparty credit risks, as sales to the non-government entities are backed by letters of credit, which significantly mitigate the payment-related risks. Additionally, the company generally discounts these LCs, ensuring faster receivable conversion. The company's customer base comprises reputed players such as KEC International Limited (rated [ICRA]A+(Stable)/[ICRA]A1+), Larsen & Toubro Limited (rated [ICRA]A1+), and the Adani Group, among others, who have strong credit profiles. The company has also been securing repeat orders from these key clients, reinforcing its market positioning.

Credit challenges

Profitability constrained by intense competition and limited value addition - JSK's operating profitability has remained under pressure in recent years due to intense competition in the ACSR conductor segment and the inherently limited value addition in the business. The presence of reputed suppliers such as NALCO and Vedanta, along with a strong customer base that includes L&T and Adani, further limits the company's bargaining power on both ends, keeping the margins in check. However, the industry's gradual shift towards high-value conductors, such as AL-59 and ACCC, is expected to support a steady improvement in operating margins over the medium term. Despite this positive trend, the overall operating margins are expected to remain relatively low in the range of 4-5%.

High raw material intensive nature of operations and volatility in aluminium prices exposes the company to fluctuation in margins during rise in input costs - JSK's operations are highly raw material intensive, with raw material costs accounting for 80-90% of the total sales of conductors and wire rods. The company sources aluminium, its primary raw material, through a mix of domestic and imported procurement, depending on the price and availability. Aluminium prices have exhibited significant volatility in the past, exposing JSK to fluctuations in input costs, which, in turn, impacts its profitability. However, JSK mitigates this risk through order backed raw material sourcing.

Exposed to delays in project execution by customers – The company's revenue growth remains exposed to delays in execution timelines by the project owners due to reasons beyond the company's control, such as delays in receiving the right of way, among others. However, the Central Government's policy of allocating projects only after receipt of major clearances provides comfort to some extent.

Liquidity position: Adequate

JSK's liquidity position remains adequate, supported by sizeable free cash and bank balances, that provide a comfortable buffer for servicing the LC maturities. It also takes benefit from the undrawn fund-based limits of Rs. 48.0 crore. JSK does not have any major capital expenditure plans in the near-to-medium term, and its debt repayment obligations remain minimal, with term loan repayments of Rs. 0.25 crore per annum over the next three years (FY2025-FY2027). The company has an outstanding LC of Rs. 365.13 crore as on February 28, 2025, with Rs. 170.38 crore of repayments due in March, which are expected to be comfortably serviced by internal cash generation, sizeable on-balance sheet liquidity and undrawn working capital lines.

Rating sensitivities

Positive factors – The ratings may be upgraded, if the company registers a significant growth in its profitability, while efficiently managing its working capital cycle, on a sustained basis. A specific credit metric for upgrade includes an interest coverage above 6.0 times on a sustained basis**.**

Negative factors – Pressure on JSK's ratings could arise if there is any significant decline in revenues and/or profitability, which adversely impacts its credit metrics. An elongation in the working capital cycle and/or a large capex plan which adversely impacts the company's liquidity position could also exert downward pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable.
Consolidation/Standalone	The ratings are based on the standalone financial statements of JSK.

About the Company

JSK was promoted in 2005 by Mr. Kalpesh Shah and Mr. Anish Shah. From February 2008, it started manufacturing overhead aluminum conductors and wire rods at its Silvassa facility. Aluminium wire rod is the primary raw material for conductors.
Aluminium conductors are used in transmission and distribution systems to carry the generated electrical energy from the generating station to the end users. The wire rods are used for captive consumption as well as for external sales to other cable and conductor manufacturers.
The end customers for aluminium conductors include Power Grid Corporation of India Limited (PGCIL), various state electricity boards, private sector distribution companies and providers of turnkey solutions for electricity transmission and distribution.
JSK is also involved in the business of trading aluminium ingots. The manufacturing facilities for its conductors and wire rods are at Silvassa (Dadra & Nagar Haveli)

Key financial indicators (audited)

	FY2023	FY2024
Operating income	1981.7	1830.7
PAT	50.1	39.6
OPBDIT/OI (%)	3.8%	4.1%
PAT/OI (%)	2.5%	2.2%
Total outside liabilities/Tangible net worth (times)	1.1	0.4
Total debt/OPBDIT (times)	0.2	0.3
Interest coverage (times)	4.8	2.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based - Term loan	Long term	34.00	March 21, 2025	**[ICRA]A (Stable)**	February 05, 2024	**[ICRA]A (Stable)**	January 25, 2023	**[ICRA]A (Stable)**	October 22, 2021	**[ICRA]A (Stable)**
Fund-based - Cash credit	Long term	48.00	March 21, 2025	**[ICRA]A (Stable)**	February 05, 2024	**[ICRA]A (Stable)**	January 25, 2023	**[ICRA]A (Stable)**	October 22, 2021	**[ICRA]A (Stable)**
Non-fund based - Bank guarantee	Long term	175.00	March 21, 2025	**[ICRA]A (Stable)**	February 05, 2024	**[ICRA]A (Stable)**	January 25, 2023	**[ICRA]A (Stable)**	October 22, 2021	**[ICRA]A (Stable)**
Non-fund based - Letter of credit	Short term	620.00	March 21, 2025	**[ICRA]A1**	February 05, 2024	**[ICRA]A1**	January 25, 2023	**[ICRA]A1**	October 22, 2021	**[ICRA]A1**
Fund based – Others - Electronic vendor finance scheme s	Short term	150.00	March 21, 2025	**[ICRA]A1**	-	-	-	-	-	-
Non-fund based – Others - Forward contract	Short term	8.50	March 21, 2025	**[ICRA]A1**	-	-	-	-	-	-
Unallocated	Long-term/Short term	-	-	-	-	-	January 25, 2023	**[ICRA]A (Stable) /[ICRA]A1**	October 22, 2021	**[ICRA]A (Stable) /[ICRA]A1**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term: Fund-based - Cash Credit	Simple
Long-term: Fund-based - Term Loan	Simple
Long-term: Non-fund based - Bank Guarantee	Very Simple
Short-term: Fund based – Others - Electronic Vendor Finance Scheme	Simple
Short-term: Non-fund based - Letter of Credit	Very Simple
Short-term: Non-fund based – Others - Forward Contract	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund-based - Cash Credit**	NA	NA	NA	48.00	[ICRA]A (Stable)
NA	**Fund-based - Term Loan**	Jan-23	NA	Mar-28	34.00	[ICRA]A (Stable)
NA	**Non-fund based - Bank Guarantee**	NA	NA	NA	175.00	[ICRA]A (Stable)
NA	**Fund based – Others - Electronic Vendor Finance Scheme**	NA	NA	NA	150.00	[ICRA]A1
NA	**Non-fund based - Letter of Credit**	NA	NA	NA	620.00	[ICRA]A1
NA	**Non-fund based – Others - Forward Contract**	NA	NA	NA	8.50	[ICRA]A1

Source: Company data

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis-Not applicable

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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.

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