

August 01, 2025

## Finolex J-Power Systems Limited: Ratings reaffirmed; removed from Issuer Not-Cooperating category; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term- Fund based- Working capital limits	195.00	195.00	[ICRA]BB+(Stable); reaffirmed and removed from Issuer Not Cooperating category
Long-term – Term loan	2.25	50.00	[ICRA]BB+(Stable); reaffirmed and assigned for enhanced amount and removed from Issuer Not Cooperating category
Short term- non-fund based	70.00	100.00	[ICRA]A4+; reaffirmed and assigned for enhanced amount and removed from Issuer Not Cooperating category
<b>Total</b>	<b>267.25</b>	<b>345.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The assigned ratings take into account Finolex J-Power Systems Limited's (FJPL) operational synergies with its parent entities – Japan-based J-Power Systems Corporation (JPS), which is a Sumitomo Electric Industries Limited (SEI) company, and Finolex Cables Limited (FCL) - and the benefits derived from their technical strengths and market presence. The parent entities have demonstrated a track record of financial support in the form of equity infusion, besides corporate guarantees for availing bank facilities. While there was no equity infusion in FY2025, ICRA notes that the sponsors have approved an infusion of Rs. 180 crore in August 2025 to support the capital structure as well as the working capital requirements of the company.

The company manufactures underground cables for the extra-high voltage (EHV) segment and executes turnkey projects for various utilities. The ratings factor in a favourable medium-term demand outlook across key end-user segments, including state utilities, metro rail corporations and private sector participants. As on March 31, 2025, the company reported an order book of Rs 320.6 crore, along with a pipeline exceeding Rs. 310 crore, offering strong revenue visibility over the medium term, even as the company's ability to profitably execute these projects remain to be seen.

The company's capital structure weakened in FY2025, reflected in a gearing of 2.5x as on March 31, 2025, primarily due to the absence of equity infusion from the parent companies and ongoing cash losses, which prompted FJPL to resort to external debt. However, the capital structure is likely to strengthen, going forward, on expectations of equity contributions by the parent entities and reduction in losses.

The ratings are constrained by FJPL's weak financial profile due to the slow ramping up of revenues, resulting in losses and delays in achieving break-even. The working capital intensity also remains elevated with high receivable period, resulting in elevated borrowing levels, limited cushion in the drawing power and weakening of the debt metrics and liquidity profile. Further, the financial performance in FY2025 remained weak on account of challenges in the tendering process and funding constraints at FJPL's level. The company has been reporting losses at the operating and cash level and weak coverage indicators in the last five years necessitated regular liquidity support from its parent entities. However, there was no equity infusion in FY2025 and the promoters have agreed to infuse around Rs. 180 crore in FY2026.

The Stable outlook reflects ICRA's opinion that FJPL's credit profile will improve post the equity infusion from the promoters. Further, the revenue and accruals will be supported by its comfortable order book along with expectations of a healthy order inflow in the near to medium term. Also, continued financial and operational support is expected from the parent companies, in case need arises.

## Key rating drivers and their description

### Credit strengths

**Strong operational synergies with parents and track record of financial support** – FJPL, a 51:49 joint venture between Japan-based J-Power Systems Corporation and Pune-based Finolex Cables Limited, benefits from both financial and operational support from its promoters. Over FY2018-FY2023, the parent companies had infused Rs. 231.5 crore in equity. While no equity was infused in FY2024 and FY2025, a fresh infusion of Rs. 180 crore is planned for the first week of August 2026. In addition to financial support, FJPL receives technical support from JPS and execution support from FCL. The promoters have also extended co-guarantees for select ongoing projects.

**Presence in niche segment along with strong demand prospects** – The company operates in the niche extra high voltage (EHV) underground cable segment, which is less competitive due to high technical and quality requirements. The long gestation periods and rigorous testing makes the business capital-intensive, creating strong entry barriers. The market demand for EHV cables in India remains robust, with the segment witnessing steady growth. Growing demand and favourable market conditions are encouraging the industry players to expand the capacity. FJPS is well-positioned to increase its market share, supported by continued promoter investment.

**Order book position provides healthy revenue visibility** – FJPL's order book stood at ~Rs. 320.6 crore as on March 31, 2025, along with a pipeline of over Rs. 310 crore, providing strong medium-term revenue visibility. At present, the company is witnessing healthy demand from various end-user sectors, especially state utilities, metro rail corporations and private players. However, the completion of the projects within the agreed timelines, while maintaining the desired quality parameters, is critical to minimise the liabilities arising from project delays and performance issues.

**Comfortable capital structure, especially after proposed equity infusion** – The company's gearing stood at 2.5 times in FY2025. The promoters plan to infuse fresh equity in early August, part of which will be used to repay the debt and ease the liquidity. While the company's gearing weakened in FY2025, it is expected to improve following the proposed capital infusion.

### Credit challenges

**Weak financial risk profile with losses at operating level and delays in ramp-up of operations** – The company's financial profile remains constrained due to subdued operating income and execution delays, which have impacted collections and weakened the coverage metrics. The sales couldn't be ramped up in FY2025 as well because of limited tender awards and delays in key contracts, including one from MSEDCL, due to funding challenges and the absence of equity infusion. To address these issues, the promoters are injecting fresh capital to improve the company's liquidity and execution capabilities. The company is also shifting focus to supply-based contracts for a quicker turnaround, with the management anticipating a near-term recovery on the back of a healthy order pipeline and favourable market conditions.

**High working capital intensity in EPC business** – The working capital intensity remains inherently high in the EPC business due to the long execution period of projects, milestone-based payments and the retention money requirement. As a result, the company's overall debtor days remained high at around 294 days in FY2025. The debtor days are on the higher side as the receivables include retention money of projects and contract assets. The working capital position is, however, supported to some extent by the creditor days. A high working capital intensity is further evident from the net working capital/operating income of 151.2% in FY2025. This also led to full utilisation of the working capital limits, thus exerting pressure on the liquidity.

**Competition from large established players** – Though the company works in a niche segment and manufactures cables in the higher KV range of 66KV to 500 KV, it faces competition from a few large and established players. For 220KV, the company

faces major competition from KEI Industries Limited, LS Cable and Systems and Universal Cables. For 400-KV cables, the company faces competition from Universal Cables. Nevertheless, the company has created its own niche in this segment with specialisation in EHV cables along with a state-of-the-art facility for VCV line which provides better quality output.

**Margins vulnerable to volatile raw material prices** – Aluminium and copper, the key raw materials for cable manufacturing, form a major part of the raw material cost. Given the long order execution period of 12-24 months, the operating margin remains vulnerable to the volatility in the prices of key raw materials. Nonetheless, the risk is mitigated as 60-65% of the company's projects include price variation clauses, which help adjust the costs if raw material prices change. For projects with fixed prices, the company adds expected cost increases in the budget from the beginning.

### Liquidity position: Stretched

FJPL's liquidity is stretched, reflected in the high utilisation of the working capital limit in the last 12 months, limited free cash available on the books and the losses incurred by the company. While the planned equity infusion of Rs. 180 crore and a scale-up of operations are likely to ease the pressure on the liquidity position, it remains to be seen whether these measures would effectively improve the company's liquidity and execution capabilities.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if FJPL demonstrates a material scale-up in its revenues and profits that would improve the debt coverage metrics and liquidity on a sustained basis.

**Negative factors** – ICRA could downgrade FJPL's ratings if the company is unable to scale up its revenue and profit generation. Additionally, any weakening of the liquidity position or a stretch in the receivable cycle could have a negative impact on the ratings. This apart, ICRA could downgrade FJPL's ratings in case there is a major deterioration in the parent company's credit profile or weakening of linkage with the parent company or change in the support philosophy.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Operational and financial support from being a part of Sumitomo Electric Industries Ltd., the ultimate parent
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of FJPS

### About the company

Finolex J Power System Limited (FJPL) is a 51:49 joint venture between Japan based J-Power Systems Corporation (JPS) and Pune-based Finolex Cables Limited (FCL). FJPL was formed to manufacture and sell high-voltage and extra high voltage power cables (underground cables), ranging from 66kV to 500kV grade, and other power accessories, and provide turnkey solutions cables to the Asian market. However, as of now, the company is catering to the Indian market only and will later on focus on the Asian market.

### Key financial indicators (audited)

FJPS Standalone	FY2024	FY2025
Operating income	120.5	113.4
PAT	-15.3	-54.0
OPBDIT/OI	-2.1%	-17.7%
PAT/OI	-12.7%	-47.7%
Total outside liabilities/Tangible net worth (times)	1.3	2.7

<b>Total debt/OPBDIT (times)</b>	-64.2	-10.1
<b>Interest coverage (times)</b>	-0.1	-1.0

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

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

### Status of non-cooperation with previous CRA:

CRA	Rating action	Date of release
CARE	CARE B+/Stable/CARE A4; ISSUER NOT COOPERATING; rating continues to remain under Issuer Not-Cooperating category and downgraded from CARE BB	June 04, 2025

Any other information: None

### Rating history for past three years

Current (FY2026)						Chronology of rating history for the past 3 years					
FY2026						FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	August 01, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based working capital limits	Long term	195.00	[ICRA]BB+ (Stable)	Apr 24 2025	[ICRA]BB+(Stable); ISSUER NOT COOPERATING	-	-	Feb16, 2024	[ICRA]BBB- (Negative)	Mar 06, 2023	[ICRA]BBB- (Stable)
		-	-	-	-	-	-	-	-	Nov 01, 2022	[ICRA]BBB- (Stable)
Term loans	Long term	50.00	[ICRA]BB+ (Stable)	Apr 24 2025	[ICRA]BB+(Stable); ISSUER NOT COOPERATING	-	-	Feb16, 2024	[ICRA]BBB- (Negative)	Mar 06, 2023	[ICRA]BBB- (Stable)
		-	-	-	-	-	-	-	-	Nov 01, 2022	[ICRA]BBB- (Stable)
Non-fund based	Short term	100.00	[ICRA]A4+	Apr 24 2025	[ICRA]A4+; ISSUER NOT COOPERATING	-	-	Feb16, 2024	[ICRA]A3	Mar 06, 2023	[ICRA]A3
		-	-	-	-	-	-	-	-	Nov 01, 2022	[ICRA]A3
Unallocated	Long term and short-term	-	-	-	-	-	-	-	-	Mar 06, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3
		-	-	-	-	-	-	-	-	Nov 01, 2022	[ICRA]BBB- (Stable)/ [ICRA]A3

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Working capital limits	Simple
Long term – Term loan	Simple

**Short term - Non-fund based**

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 /Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term - Fund based - Working capital limits	NA	NA	NA	195.00	[ICRA]BB+ (Stable)
NA	Long term – Term loan	FY2025	NA	FY2027	50.00	[ICRA]BB+ (Stable)
NA	Short term – Non-fund based	NA	NA	NA	100.00	[ICRA]A4+

Source: Company

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#### Annexure II: List of entities considered for consolidated analysis – – Not Applicable

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