SMERA RATINGS LIMITED

JRK Industries Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	2.65	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Term Loan	3.70	SMERA B+/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded the rating on the Rs.6.35 crore bank facilities of JRK Industries Private Limited (JRK) to **'SMERA B+' (read as SMERA B plus)** from **'SMERA B' (read as SMERA B)**. The outlook is **'Stable'**.

The upgrade is in view of the significant improvement in the operating margins of the company. The rating continues to draw comfort from the company's long track record of operations and experienced management. However, the rating is constrained by the small scale of operations, below average financial risk profile, working capital intensive business and the highly competitive and fragmented industrial cables industry.

Update

JRK's revenues increased from Rs.12.44 crore in FY2014–15 (refers to financial year, April 01 to March 31) to Rs.17.06 crore in FY2015–16. Further, the EBITDA margin of the company improved from 1.54 per cent in FY2013-14 to 21.77 per cent in FY2014-15 and 22.43 per cent in FY2015-16 on account of increase in income from job work in the overall revenue mix. In FY2015-16, job work income contributed around 75 per cent to total revenues.

The financial risk profile is marked by high gearing of 3.95 times as on March 31, 2016. The total net worth of Rs.3.21 crore as on March 31, 2016 includes unsecured loan of Rs.1.75 crore that has been treated as quasi equity. The interest coverage ratio stands at 2.09 times for FY2015-16. The operations of JRK are working capital intensive as reflected in the gross current asset days of 176 for FY2015-16.

JRK continues to benefit from its experienced management. Mr. Rakesh Kumar Jalan, Director, has over two decades of experience in the industrial cables industry.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Improvement in debt coverage indicators

Outlook-Stable

SMERA believes that JRK will continue to maintain a stable outlook and benefit over the medium term from its established presence in the fabric industry and experienced management. The outlook may be revised to 'Positive' if its scale of operations increases substantially while improving operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' in case the profit margins decline in the medium term due to fluctuations in raw material prices and deterioration in the financial risk profile.

Criteria to arrive at the rating

- Manufacturing entities

About the Company

The Jaipur-based JRK incorporated in 1997 by Mr. Rajesh Kumar Jalan, is engaged in the manufacturing of low carbon galvanised wires and strips and armouring land cables. It has an installed capacity of 20,000 tons per annum. The company undertakes job work from Tata Steel.

In FY2015-16, JRK reported net profit after tax (PAT) of Rs.0.85 crore on operating income of Rs.17.06 crore as against PAT of 0.23 crore on operating income of Rs.12.44 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
03 August, 2015	Cash Credit	2.65	SMERA B (Assigned)	-	Stable
	Term Loan	3.70	SMERA B (Assigned)	-	Stable

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ABOUT SMERA

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