

Press Release

JRK Industries Private Limited

August 06, 2018

Rating Downgraded



Total Bank Facilities Rated	Rs. 13.37 crore (Enhanced from Rs. 7.02 Cr.)
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

Acuité has downgraded the long term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 13.37 crore bank facilities of JRK Industries Private Limited.

The rating downgrade revision is in view of delays in debt repayment obligations with regards to term loans on account of stretch receivables.

JRK Industries Private Limited (JIPL) was incorporated in 1997 by Mr. Rajesh Kumar Jalan. JIPL is a Jaipur based company engaged in manufacturing of low carbon galvanized wire and armoring land cables. Its manufacturing unit is located in Jaipur with the installed capacity of 20000 tons. JIPL currently rendering job works to Tata Steels Ltd which contributes 70 per cent of the total revenue mix and 30 per cent through its own sales.

Key Rating Drivers

Strengths

Established track record of operations and experienced management:

JRK Industries Private Limited (JIPL) incorporated in 1997 by Mr. Rajesh Kumar Jalan engaged in manufacturing of low carbon galvanized wire and armoring land cables thereby establishing track record for more than two decades.

Improvement in operating income and the profitability margins:

JRKIPL has registered Y-O-Y growth in revenues during the period FY2016 to FY2018 under the study. The revenue stood at Rs. 25.70 crore in FY2018 as against Rs. 19.33 crore in FY2017 and Rs. 17.06 crore in FY2016. Further the company has booked revenue of Rs. 7.00 crore for the period April to June 2018. JRKIPL does job work mainly for Tata Steel which contributes 70% of the revenue and sale of own manufacturing products contributes 30% of the total sales. The profitability margins have also registered growth during the period under the study. JRKIPL has healthy operating profitability margins which stood at 15.31% in FY2018 as against 14.14% in FY2017. The reason for improvement in profitability margins is on account of decline in raw material cost in FY2018 over FY2017. The net profitability margins also stood healthy at 4.30% in FY2018 as against 2.08% in FY2017.

Weaknesses

Delay in debt servicing obligations and stretched liquidity position:

The rating downgrade revision is in view of delays in debt repayment obligations with regards to term loans on account of stretch receivables majorly Tata Steels. The receivable days stood at 61 days in FY2018 as against 42 days in FY2017. The net cash accruals stood at Rs. 1.81 crores in FY2018 as against the long term debt obligation of Rs. 1.47 crore in FY2018. The bank limit utilisation stood almost 99 per cent for the last six months ended June 2018.

Susceptibility to volatility in raw material prices:

The major raw material for manufacturing wires and cable is steel rods and the prices for the same are highly volatile in nature. Any adverse change in the prices of the raw material may impact the profitability margins of the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JRKIPL to arrive at the rating.

About the Rated Entity Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.70	19.33	17.06
EBITDA	Rs. Cr.	3.93	2.73	3.83
PAT	Rs. Cr.	1.11	0.40	0.85
EBITDA Margin	(%)	15.31	14.14	22.43
PAT Margin	(%)	4.30	2.08	4.99
ROCE	(%)	19.77	15.71	22.84
Total Debt/Tangible Net Worth	Times	2.89	2.89	3.95
PBDIT/Interest	Times	2.62	1.89	2.09
Total Debt/PBDIT	Times	3.79	3.59	3.27
Gross Current Assets (Days)	Days	164	150	168

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
01-Nov-2017	Cash Credit	Long term	2.65	ACUITE B+ Issuer not co-operating*
	Term loan	Long term	3.70	ACUITE B+ Issuer not co-operating*
08-Sep-2016	Cash Credit	Long term	2.65	ACUITE B+/Stable

				(Upgraded from ACUITE B/Stable)
	Term loan	Long term	3.70	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
03-Aug-2015	Cash Credit	Long term	2.65	ACUITE B/Stable (Assigned)
	Term loan	Long term	3.70	ACUITE B/Stable (Assigned)

*The issuer did not co-operate; based on best available information.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	4.00	ACUITE D (Downgraded from ACUITE B+/Stable)
Term loan I	NA	NA	NA	3.55	ACUITE D (Downgraded from ACUITE B+/Stable)
Term loan II	NA	NA	NA	3.82	ACUITE D (Assigned)
Term loan III	NA	NA	NA	2.00	ACUITE D (Assigned)

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About Acuité Ratings & Research:

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