



SMERA RATINGS LIMITED

Jai Durga Iron Private Limited (JDIPL)

Rating Rationale

September 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA BB/Stable (Assigned)
Stand-by-line of credit	1.20	SMERA A4+ (Assigned)
Letter of Credit	2.25	SMERA A4+ (Assigned)
Forward Contract	0.24	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB (read as SMERA double B)**' to the Rs.12.00 crore long term facility and '**SMERA A4+ (read as SMERA A four plus)**' to the Rs.3.69 crore short term facility of Jai Durga Iron Private Limited (JDIPL). The outlook is '**Stable**'. The ratings draw comfort from the company's stable track record of operations, experienced management and moderate financial profile marked by healthy capital structure. However, the ratings remain constrained due to the thin profitability and cyclicity in the steel industry. The ratings are further constrained by the susceptibility of profit margins to volatility in raw material prices and working capital intensive operations.

Outlook: Stable

SMERA believes JDIPL will maintain a Stable outlook over the medium term owing to the experienced management and diversified customer base. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in its profitability. Conversely the outlook may be revised to Negative in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Volatility in commodity prices.
- Efficient working capital management
- Sustained growth while achieving stable margins

About the Company

JDIPL, incorporated in 2003 is a Kolkata-based company promoted by Binod Kumar Bajaj and Krishna Kumar Agarwal. The company is engaged in the manufacture of sponge iron and mild steel ingots at its manufacturing unit in Jhumri Teliya (Jharkhand) which has an installed capacity of 48,000 MTPA (sponge iron) and 16500 MTPA (MS ingots) respectively.

For FY2013-14, JDIPL reported profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.65.12 crore, as compared with PAT of Rs.0.46 crore on operating income of Rs.72.94 crore in

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FY2012-13. The company reported PAT of Rs.0.90 crore (provisional) on operating income of Rs.52.00 crore (provisional) in FY2014-15.

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