

Jai Durga Iron Private Limited: Reaffirmed

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

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs.12.00 crore (fund based) facility and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.3.69 crore (non-fund based) bank facilities of Jai Durga Iron Private Limited (JDIPL).The outlook is '**Stable**'.

The ratings continue to draw comfort from the company's experienced management, above average financial risk profile and long standing relations with customers. However, the ratings are constrained by the moderate scale of operations and working capital intensive business.

Update

JDIPL, established in 2003 is engaged in the manufacture of sponge iron and mild steel ingots. The directors, Mr. Binod Kumar Bajaj and Mr. Krishna Kumar Agarwal possess extensive experience in the iron and steel industry. The company's above average financial risk profile is marked by modest net worth of Rs.23.69 crore, comfortable gearing of 0.56 times, moderate interest coverage of 1.65 times and moderate debt service coverage ratio of 1.62 times in FY2016. The NCA/TD stands moderate at 0.12 times in FY2016. The company has relations of over 10 years with its customers.

However, the rating is constrained by the moderate scale of operations of Rs.46.53 crore in FY2016, which declined from Rs.50.89 crore in FY2015. The rating is also constrained by the working capital intensive business, marked by high gross current asset days of 264 in FY2016. This is mainly due to high inventory holding of around 277 days in FY2016.

Rating Sensitivity Factors

- Volatility in commodity prices
- Efficient working capital management
- Growth while achieving stable margins

Outlook-Stable

SMERA believes JDIPL will maintain a Stable outlook over the medium term owing to its 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 capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case the capacity utilisation deteriorates increasing pressure on margins.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

JDIPL was incorporated in 2003 by Mr. Binod Kumar Bajaj and Mr. 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 FY2015-16, JDIPL reported profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.46.53 crore, as compared with PAT of Rs.0.27 crore on operating income of Rs.50.89 crore for FY2014-15.

Rating History

| Date | Facilities | Amount (Rs. Crore) | Ratings | | Rating Outlook |
|---------------|-------------------------|-------------------------------|------------------------|-------------------------|---------------------------|
| | | | Long Term | Short Term | |
| 11 Sept, 2015 | Cash credit | 12.00 | SMERA BB (Assigned) | - | Stable |
| | Stand-by-line of credit | 1.20 | - | SMERA A4+ (Assigned) | - |
| | Forward Contract | 0.24 | - | SMERA A4+ (Assigned) | - |
| | Letter of Credit | 2.25 | - | SMERA A4+ (Assigned) | - |

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ABOUT SMERA

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