

Press Release

Jai Durga Iron Private Limited

16 March, 2018



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 15.69 Cr. |
| Long Term Rating | SMERA BB / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has re-affirmed long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA Afour plus**) on the Rs. 15.69 crore bank facilities of Jai Durga Iron Private Limited (JDIPL). The outlook is '**Stable**'.

Incorporated in 2003 – Jai Durga Iron Private Limited is a Jharkhand based company engaged in manufacturing of sponge iron and MS ingots with installed capacity of 48000 MTPA for Sponge Iron and 16500 MTPA for MS Ingots. The company was promoted by Mr. Binod Kumar Bajaj and Mr. Krishna Kumar Agarwal based.

Key Rating Drivers

Strengths

Experienced management

JDIPL has been in manufacturing of sponge iron and mild steel ingots since 2003 with a track record of over a decade. The promoters Mr. Binod Kumar Bajaj and Mr. Krishna Kumar Agarwal have extensive experience in the manufacturing of sponge iron and mild steel ingots.

Moderate Financial Risk Profile

JDIPL's moderate financial risk profile is marked by comfortable gearing, moderate net worth base and debt protection metrics. The gearing stood comfortable at 0.62 times in FY 17 as against 0.56 times in FY16. The net-worth base of the company stood at Rs 24.23 crs in FY 2017 as against Rs 23.69 crs in FY 2016. The total debt of Rs 15.01 crs as on 31st March'17 consists of Rs 13.28 crs of working capital facility and Rs 1.72 crs of unsecured loans from promoters and directors. The debt protection metrics stands moderate with interest coverage and debt service coverage ratios of 1.61 times and 1.67 times respectively in FY2017 as compared to 1.65 times and 1.62 times respectively in FY2016.

Healthy relationship with customers and suppliers

The extensive experience of the promoters has enabled the company to forge healthy relationships with customers and suppliers. JDIPL has a customer base spread across Jharkhand, Bihar, Uttar Pradesh and Rajasthan. The company over the years has also built a healthy relationship with suppliers for procurement of iron and coal. The company procures iron ore from Rungta Mines Limited and coal from Central Coalfields Limited. SMERA believes that JDIPL will continue to benefit from its experienced management and established relations with its customers.

Weaknesses

Modest Scale of Operations

The company operates in modest scale with revenue of Rs 34.93 crs in FY 17 as compare to Rs 46.53 crs in FY 16. Dip in revenue in FY 17 on account of lower realization of sponge iron and MS ingots and on account of closure of their sponge iron plant since June 2016 to Sept'16.

Working capital intensive nature of operations

JDIPL being in steel industry inherently has working capital intensive nature of operations marked by Gross Current Asset (GCA) days of 438 in FY 17 as compare to 264 days in FY 16. The high GCA days are on account of inventory holding period of iron ore and coal of 450 days in FY 17 as compare to 277 days in FY 16. JDIPL maintain high inventory of iron and coal in order to mitigate the price fluctuations. The company maintains a credit period of 10-45 days for its customers and debtor days stood at 37 days in FY 17 as compare to 7 days in FY 16. The utilization of its working capital limit has remained stretched with 98 per cent during the 10 month ended January'18.

Competitive and fragmented Industry

JDIPL operates in highly fragmented iron and steel industry. JDIPL faces competition from large number of organized integrated and unorganized players.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of JDIPL.

Outlook: Stable

SMERA believes JDIPL will maintain a Stable profile over medium term on the back of its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while improving its working capital management. Conversely the outlook may be revised to Negative in case of dip in revenue, deterioration in financial risk profile on account of any major debt funded capex.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 34.93 | 46.53 | 50.89 |
| EBITDA | Rs. Cr. | 3.74 | 3.93 | 3.75 |
| PAT | Rs. Cr. | 0.54 | 0.41 | 0.27 |
| EBITDA Margin | (%) | 10.71 | 8.45 | 7.37 |
| PAT Margin | (%) | 1.55 | 0.88 | 0.52 |
| ROCE | (%) | 6.88 | 7.55 | 6.96 |
| Total Debt/Tangible Net Worth | Times | 0.62 | 0.56 | 0.54 |
| PBDIT/Interest | Times | 1.61 | 1.65 | 1.73 |
| Total Debt/PBDIT | Times | 3.89 | 3.24 | 3.27 |
| Gross Current Assets (Days) | Days | 438 | 264 | 240 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instruments/Facilities | Term | Amount (Rs Crore) | Ratings/Outlook |
|---------------|--------------------------------|------------|-------------------|------------------------------|
| 13-Oct, 2016 | Cash Credit | Long Term | INR 12.00 | SMERA BB/Stable (Reaffirmed) |
| | Standby Line of Credit | Short Term | INR 1.20 | SMERA A4+ (Reaffirmed) |
| | Derivative Exposure | Short Term | INR 0.24 | SMERA A4+ (Reaffirmed) |
| | Letter of Credit | Short Term | INR 2.25 | SMERA A4+ (Reaffirmed) |
| 11 Sept '2015 | Cash Credit | Long Term | INR 12.00 | SMERA BB/Stable (Assigned) |
| | Standby Line of Credit | Short Term | INR 1.20 | SMERA A4+ (Assigned) |
| | Derivative Exposure | Short Term | INR 0.24 | SMERA A4+ (Assigned) |
| | Letter of Credit | Short Term | INR 2.25 | SMERA A4+ (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------|------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | INR 12.00 | SMERA BB/Stable (Reaffirmed) |
| Standby Line of Credit | Not Applicable | Not Applicable | Not Applicable | INR 1.20 | SMERA A4+ (Reaffirmed) |
| Derivative Exposure | Not Applicable | Not Applicable | Not Applicable | INR 0.24 | SMERA A4+ (Reaffirmed) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | INR 2.25 | SMERA A4+ (Reaffirmed) |

Contacts

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ABOUT SMERA

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