

Press Release

Jai Prabhuji Iron And Steel Private Limited

July 11, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.19 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.19 crore bank facilities of Jai Prabhuji Iron And Steel Private Limited. The outlook is '**Stable**'.

Jai Prabhuji Iron and Steel Private Limited (JPISPL) was established in 2004 by Mr. Raj Kumar Choudhury, Mr. Nawdeep Khaitan, Mr Kailash Kumar Goel among others. The company is engaged in the manufacturing of MS ingots and has installed capacity of 40000 tons a year. The manufacturing facility is located at Dhanbad, Jharkhand.

Key Rating Drivers

Strengths

- **Experienced management**

The Director, Mr. Raj Kumar Choudhury, Mr. Nawdeep Khaitan, Kailash Kumar Goel among others possess experience of more than a decade in the iron and steel industry.

- **Healthy financial risk profile**

The comfortable financial risk profile is marked by moderate net worth of Rs.16.15 crore in FY2017 (Provisional), an increase from Rs.15.92 crore in FY2016 mainly due to retention of profit. The gearing stands comfortable at 0.17 times as against 0.14 times in FY2016. The interest coverage ratio is comfortable at 5.78 times and debt service coverage ratio at 5.38 times in FY2017 (Provisional). The NCA/TD stands at 0.29 times in FY2017 (Provisional).

- **Modest working capital management**

The modest working capital management is marked by moderate GCA days of 75 in FY2017 (Provisional) compared to 97 days in FY2016. The inventory days and debtor days also stood comfortable at 26 and 25 respectively in FY2017 (Provisional) compared to 51 and 21 days in FY2016. The creditor days also stood comfortable at 3 and 2 in FY2017 (Provisional) and FY2016 respectively. The liquidity profile is modest. The company has utilised 50 percent of its cash credit facility.

Weaknesses

- **Uneven revenue**

The scale of operations is comfortable with revenue of Rs.90.94 crore in FY2015. However, while the revenue fell by almost 50 percent to Rs.45.50 crore in FY2016, the same increased by 62.37 percent to Rs.73.88 crore in FY2017 (Provisional).The uneven revenue of the company reflects its moderate ability to counter unforeseen risks.

- **Low profitability**

The operating profit margin has fallen to a low of 1.15 per cent in FY2017 (Provisional) from 1.86 percent in FY2016 mainly on account of increase in direct expenses. The PAT margin increased to 0.21 percent in FY2017 (Provisional) from 0.04 per cent in FY2016. The RoCE increased but stood at a low of 2.18 percent in FY2017 (Provisional) compared to 1.15 per cent in FY2016. This marginal increase in RoCE has been brought about by an increase in the EBITA.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Jai Prabhuji Iron and Steel Private Limited (JPISPL).

Outlook: Stable

SMERA believes that JPISPL will maintain a stable outlook in the medium term on account of its experienced management, healthy financial risk profile and modest working capital management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), JPISPL reported profit after tax (PAT) of Rs 0.16 crore on total operating income of Rs.73.88 crore compared with PAT of Rs.0.02 crore on total operating income of Rs.45.50 crore in FY2015-16.

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.81	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.38	SMERA A4+

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