

Press Release

Jai Balaji Jyoti Steels Limited (JBJS)

November 04, 2019



Rating Upgraded and Withdrawn

Total Bank Facilities Rated*	Rs. 56.78 Cr. (Reduced from Rs 62.97 Cr.)
Long Term Rating	ACUITE B- /Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) and short-term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) on the Rs. 56.78 crore bank facilities of Jai Balaji Jyoti Steels Limited (JBJS). The outlook is '**Stable**'. Further, Acuité has upgraded and withdrawn short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) on the Rs.5.00 crore bank facilities of Jai Balaji Jyoti Steels Limited (JBJS).

The rating upgrade reflects on the timely servicing of debt obligations by JBJS along with no instance of overdrafts from the Cash Credit account in the past six months ended September 2019. The rating continues to reflect the extensive experience of management and long track record of operations of the company.

Jai Balaji Jyoti Steels Ltd (JBJS) was incorporated in 2003 by the Jajodia family of Kolkata. The company belongs to the Jai Balaji group. The group is an established steel manufacturer in eastern India. JBJS is engaged in manufacturing of sponge iron and MS ingots and billets at Sundargarh, Orissa, with an installed capacity of 125000 MTPA and 111420 MTPA respectively. Currently the company is managed by Mr. Aditya Jajodia, Mr. Rajiv Jajodia, Mr. Santosh Kumar Shah among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

Mr Jajodia and family have over two decades of experience in the iron and steel industry. The group has established presence in the steel sector in eastern India which has helped them in maintaining comfortable relationships with their key customers and suppliers.

- **Healthy scale of operations**

The revenues stood healthy at Rs 364.68 crore in FY 2019 against Rs 376.09 crore in FY 2018. The company has recorded the revenue of Rs. 109.00 crore till June, 2019 in current fiscal. Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

Weaknesses

- **Below average financial risk profile**

The company's financial risk profile is below average marked by moderate net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs. 27.94 crore as on 31 March, 2019 as against Rs. 20.08 crore in the previous year. The gearing stood high at 6.82 times as on 31 March, 2019 against 9.03 times in the previous year. Total debt of Rs. 190.60 crore as on March 31, 2019 consists of Rs. 48.29 crore of long term debt, Rs. 89.14 crore of unsecured loans from directors as well as from group companies and working capital loan of Rs. 53.17 crore from bank. The debt protection metrics is moderate marked by interest coverage ratio (ICR) of 1.63 times in FY2019 as compared to 1.64 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.50 times in FY 2019 as against 0.91 times in the previous year. Net Cash Accruals/ Total Debt (NCA/TD) stood low at 0.06 times in FY2019. The financial risk profile of JBJS is expected to remain below average over the medium term.

• **Working capital intensive nature of operation**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 219 days in FY2019 as against 197 days in FY2018. The high GCA days emanates from high other current assets of Rs.133.92 crore in FY2019 as against Rs 122.84 crore in the previous year. The collection period and inventory holding period stood at 14 days and 76 days in FY2019 as compared to 17 and 62 days respectively in the previous year. The working capital of JBJSL is expected to remain working capital intensive over the medium term on account of high other current assets.

Rating Sensitivity

- Substantial improvement in financial risk profile mainly in the gearing levels
- Improvement in working capital intensity
- Timely repayment of debt obligation
- Improvement in profitability margins

Material Covenants

None

Liquidity Profile: Stretched

The company has stretched liquidity marked by moderate cash accruals of Rs.11.56 crore in FY2019 as against Rs.1.30 crore of yearly debt obligations. The accruals of the company are estimated to remain in the range Rs 10.93 crore to Rs 11.79 crore during 2020-2022 against repayment obligation in the range of around Rs1.18 crore in FY 2020. The working capital of the company is stretched marked by gross current asset days of 219 in FY2019 as compared to 197 days in previous year. The stretched liquidity position of the company also marked by 93 per cent utilization of bank facility for the last six months ended July 2019. The company maintains unencumbered cash and bank balances of Rs. 0.36 crore as on March 31, 2019. The current ratio of the company stood at 1.26 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of modest cash accruals against its repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook of JBJSL will remain 'Stable' over the medium term backed by the long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in its financial risk profile along with improvement in its working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its scale of operations and any further deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	364.68	376.09	212.47
EBITDA	Rs. Cr.	15.93	1.92	(11.43)
PAT	Rs. Cr.	7.86	(6.24)	(8.97)
EBITDA Margin	(%)	4.37	0.51	(5.38)
PAT Margin	(%)	2.15	(1.66)	(4.22)
ROCE	(%)	13.69	4.72	8.13
Total Debt/Tangible Net Worth	Times	6.82	9.03	6.95
PBDIT/Interest	Times	1.63	1.64	0.52
Total Debt/PBDIT	Times	6.13	12.07	15.73
Gross Current Assets (Days)	Days	219	197	453

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

None

Any other information

Not Applicable

Applicable Criteria

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

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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 (in Rs Crores)	Ratings/ Outlook
31-Jan-2019	Cash Credit	Long Term	38.00	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	7.97	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE D (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE D (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE D (Reaffirmed)
15-Jan-2018	Cash Credit	Long Term	38.00	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	7.97	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE D (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE D (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE D (Reaffirmed)
26-Sep-2017	Cash Credit	Long Term	38.00	ACUITE D (Indicative)
	Cash Credit	Long Term	7.97	ACUITE D (Indicative)
	Cash Credit	Long Term	10.00	ACUITE D (Indicative)
	Letter of Credit	Short Term	5.00	ACUITE D (Indicative)
	Bank Guarantee	Short Term	2.00	ACUITE D (Indicative)

***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	38.00	ACUITE B- (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.97	ACUITE B- (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B- (Upgraded from ACUITE D)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.81	ACUITE A4 (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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