

Press Release

Jai Balaji Jyoti Steels Limited

December 01, 2020



Rating reaffirmed

Total Bank Facilities Rated	Rs. 56.78 crore
Long Term Rating	ACUITE B-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.56.78 crore bank facilities of Jai Balaji Jyoti Steels Limited. The outlook is '**Stable**'.

Jai Balaji Jyoti Steels Ltd (JBJS) was incorporated in 2003 by the Jajodia family of Kolkata. The company belongs to the Jai Balaji group and is an established steel manufacturer in eastern India. JBJS is engaged in manufacturing of sponge iron and MS billets at Sundargarh, Orissa, with the installed capacity of 120000 MTPA and 111420 MTPA respectively. Currently, the company managed by Mr. Aditya Jajodia, Mr. Rajiv Jajodia and 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 established track record of operations**

The promoters Mr. Aditya Jajodia and Mr. Rajiv Jajodia have over two decades of experience in the iron and steel industry. Acuité believes the long track record of operations and experience of management has helped the company to develop a healthy relationship with its customers and suppliers and will continue to support the business risk profile over the medium term.

Weaknesses

- **Below average financial risk profile**

The company's below average financial risk profile is marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the company decreased to Rs.26.45 crores as on March 31, 2020, compared to Rs.27.94 crores on March 31, 2019 due to losses incurred in FY2020. The company's gearing stood high at 5.11 times as on March 31, 2020 as against 6.82 times as on March 31, 2019. The debt of Rs.135.25 crores consists mainly of working capital loan of Rs.54.68 crores, term loan of Rs.46.35 crores and unsecured loans from directors and related parties of Rs.33.11 crores as on March 31, 2020. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio which stood at 1.23 times in FY2020 as against 1.63 times in FY2019 and Debt Service Coverage Ratio (DSCR) which stood at 0.99 times in FY2020 as against 1.50 times in FY2019. The NCA/TD (Net Cash accruals to total debt) stood at 0.01 times in FY2020 as compared to 0.06 times in FY2019. Acuité believes that going forward the financial risk profile of the company will remain at similar levels over the medium term.

- **Working capital intensive operations**

The working capital intensive nature of operations of the company is marked by Gross Current Asset (GCA) of

193 days in FY2020 as against 219 days in FY2019. The high GCA days emanates from high other current assets and high inventory days. The other current assets stood at Rs.64.46 crores as on March 31,2020 compared to Rs.133.92 crores on March 31,2019. The other current assets as on March 31,2020 mainly consists of loans and advances to related parties of Rs.24.98 crores and advances recoverable of Rs.18.41 crores. The inventory days stood high at 104 days in FY2020 against 76 days in FY2019. The company maintains inventory holding period of around 3 months. However, the debtor days stood at 11 days in FY2020 compared to 14 days in FY2019. JBJS's working capital operations is expected to remain at similar levels over the medium term.

Rating Sensitivity

- Improvement in working capital operations
- Substantial improvement in financial risk profile mainly in the gearing levels

Material Covenants

None

Liquidity Profile: Stretched

The company's liquidity position is stretched marked by around 98 percent utilization of its bank limits for the past six months ended October 2020. The current ratio stood moderate at 1.15 times as on March 31,2020 as compared to 1.24 times as on March 31, 2019. The cash accruals stood at Rs.1.82 crore in FY2020 against debt repayments of Rs.1.11 crores during the same financial year. However, the company has neither availed loan moratorium nor availed any COVID loan. The unencumbered cash and bank balances stood at Rs.0.11 crores as on March 31, 2020. Acuité believes that the liquidity of the company will improve supported by moderate accruals and in the absence of major debt repayments over the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters .The outlook may be revised to 'Positive' if the company achieves a substantial improvement in its financial risk profile and working capital operations. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to further deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	302.00	364.68
PAT	Rs. Cr.	(1.49)	7.86
PAT Margin	(%)	(0.49)	2.15
Total Debt/Tangible Net Worth	Times	5.11	6.82
PBDIT/Interest	Times	1.23	1.63

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (in Rs Crores)	Ratings/ Outlook
4-Nov-2019	Cash Credit	Long Term	38.00	ACUITE B- /Stable (Upgraded from ACUITE D)
	Cash Credit	Long Term	7.97	ACUITE B- /Stable (Upgraded from ACUITE D)
	Cash Credit	Long Term	10.00	ACUITE B- /Stable (Upgraded from ACUITE D)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Upgraded from ACUITE D and withdrawn)
	Bank Guarantee	Short Term	0.81	ACUITE A4 (Upgraded from ACUITE D)
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.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE B-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.97	ACUITE B-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.81	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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