

Press Release

JYOTI INDUSTRIAL CORPORATION

19 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the Rs. 13.00 crore bank facilities of JYOTI INDUSTRIAL CORPORATION. The outlook is '**Stable**'.

Jyoti Industrial Corporation (JIC), established in 2000 by Mr. Davinder Kalra (Proprietor) is engaged in the trading of steel sheets at Haryana.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

JIC established in 2000 trades in steel sheets. The proprietor, Mr. Davinder Kalra has more than two decades of experience in the business.

- **Moderate working capital cycle**

The working capital cycle is moderate marked by Gross Current Asset (GCA) of 88 days in FY2017 as against 115 days in FY2016. The moderate GCA is on account of comfortable debtors of 18 days, creditors of 7 days and inventory of 66 days in FY2017. The average bank limit utilisation for the past six months stood at 75 percent. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

- **Low profitability margins**

The firm registered EBITDA margin of 0.89 percent in FY2017 as against 0.85 percent in FY2016 and PAT margin of 0.39 percent for FY2017 and FY2016. Going forward, SMERA expects margins to be stagnant.

- **Highly competitive and fragmented industry**

The firm is exposed to inherent cyclicalities in the highly fragmented and competitive steel industry.

- **Weak financial risk profile**

The financial risk profile of the firm is weak marked by net worth of Rs. 3.78 crore as on 31 March, 2017 compared to Rs. 2.58 crore as on 31 March, 2016. The adjusted gearing (debt-equity) stood at 2.75 times as on 31 March, 2017 compared to 4.31 times as on 31 March, 2016. The total debt mainly includes unsecured loan of Rs. 2.76 crore and working capital borrowings of Rs. 7.61 crore as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 2.28 times in FY2017 and 2.19 times in FY2016. The firm registered Debt Service Coverage Ratio (DSCR) of 2.28 times in FY2017 as against 2.19 times in FY2016. The Total outstanding Liability to Total Net Worth (TOL/TNW) stood at 3.07 times as on 31 March, 2017 compared to 4.59 times as on 31 March, 2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Jyoti Industrial Corporation to arrive at the rating.

Outlook: Stable

SMERA believes that Jyoti Industrial Corporation's outlook will remain stable owing to the extensive experience of the promoter in the steel industry. The outlook may be revised to 'Positive' if the firm is able to scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	61.56	44.84	53.49
EBITDA	Rs. Cr.	0.55	0.38	0.57
PAT	Rs. Cr.	0.24	0.18	0.19
EBITDA Margin	(%)	0.89	0.85	1.06
PAT Margin	(%)	0.39	0.39	0.36
ROCE	(%)	3.50	3.02	9.70
Total Debt/Tangible Net Worth	Times	2.75	4.31	3.98
PBDIT/Interest	Times	2.28	2.19	1.78
Total Debt/PBDIT	Times	18.34	26.82	14.84
Gross Current Assets (Days)	Days	88	115	72

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BB- / Stable

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ABOUT SMERA

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