

## Press Release

### JAGDAMBA ISPAT PRIVATE LIMITED

28 February, 2018

### Rating Assigned



|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 16.00 Cr.               |
| <b>Long Term Rating</b>             | 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.16.00 crore bank facilities of JAGDAMBA ISPAT PRIVATE LIMITED. The outlook is '**Stable**'.

Jagdamba Ispat Private Limited (JIPL) was established in 2004 by Mr. Sandeep Murarka, Mr. Sanjay Kumar Murarka, Mr. Arun Kumar Agarwal and Mr. Subhas Chandra Kejriwal. The company manufactures MS ingots at Durgapur, (West Bengal) and has an installed capacity of 46,800 MTPA.

### Key Rating Drivers

#### Strengths

##### • Experienced management

JIPL commenced operations in 2004. The Directors, Mr. Sandeep Murarka, Mr. Sanjay Kumar Murarka and others have experience of more than a decade in the iron and steel industry. This has enabled the company maintain long standing relations with customer and suppliers.

##### • Average financial risk profile

The average financial risk profile of the company is marked by moderate net worth, gearing and modest debt protection metrics. The net worth stood at Rs.6.42 crore in FY2017 as against Rs.6.21 crore in FY2016, mainly due to retention of annual profit. The gearing increased to a moderate 1.90 times as on 31 March, 2017 from 1.51 times as on 31 March, 2016. The total debt of Rs.12.19 crore consists of term loan of Rs.4.04 crore, cash credit of Rs.7.18 crore and short term unsecured loan of Rs.0.97 crore in FY2017. The Interest Coverage Ratio (ICR) stood at a comfortable 1.62 times in FY2017 as against 1.75 times in FY2016. The Debt Service Coverage Ratio also stood at a low of 0.81 times in FY2017 as against 0.55 times in FY2016. The net cash accruals against total debt stood low at 0.05 times in FY2017 compared to 0.03 times in FY2016.

#### Weaknesses

##### • Working capital intensive operations

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) days of 217 in FY2016-17, compared to 251 in FY2015-16. The high GCA days emanate from the collection and inventory period of 152 and 64 respectively in FY2017. The company maintains inventory of around 45 to 60 days in order to ensure regular supply to customers.

##### • Volatility in raw material prices

The margins are susceptible to volatility in the prices of iron and steel. Any change in prices due to import pressure or over supply would have an impact on the margins of the company.

#### Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk

profile of JIPL.

#### Outlook: Stable

SMERA believes that JIPL will maintain a stable outlook in the medium term on account of its experienced 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 financial risk profile and improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital management or financial risk profile.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 52.36         | 35.91         | 39.40         |
| EBITDA                        | Rs. Cr. | 2.28          | 1.16          | 1.30          |
| PAT                           | Rs. Cr. | 0.22          | 0.20          | 0.55          |
| EBITDA Margin                 | (%)     | 4.35          | 3.22          | 3.31          |
| PAT Margin                    | (%)     | 0.41          | 0.55          | 1.39          |
| ROCE                          | (%)     | 11.29         | 8.65          | 27.13         |
| Total Debt/Tangible Net Worth | Times   | 1.90          | 1.51          | 1.29          |
| PBDIT/Interest                | Times   | 1.62          | 1.75          | 2.08          |
| Total Debt/PBDIT              | Times   | 5.18          | 7.87          | 3.87          |
| Gross Current Assets (Days)   | Days    | 217           | 251           | 193           |

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

On 20th December' 2017 CRISIL has migrated Jagdamba Ispat Private Limited (JIPL) Long-Term & Short-Term Issuer Rating to the non-cooperating category.

#### Any other information

NA

#### 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)

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 | 12.00                         | SMERA BB- / Stable |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 4.00                          | SMERA BB- / Stable |

## Contacts

| Analytical   | Rating Desk   |
|--|---|
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## ABOUT SMERA

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