

Press Release

Jagdamba Ispat Private Limited

April 09, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.16.00 crore of bank facilities of Jagdamba Ispat Private Limited (JIPL). The outlook is '**Stable**'.

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) with installed capacity of 54,000 MTPA.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of JIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

JIPL commenced operations in 2004. The Directors have experience of more than a decade in the iron and steel industry. This has enabled the company maintain long standing relations with customers and suppliers.

Moderate financial risk profile

The moderate financial risk profile of the company is marked by low net worth, high gearing and average debt protection metrics. The net worth of the company stands at Rs.6.74 crore in FY2018 as compared to Rs.6.42 crore in FY2017, mainly due to retention of annual profit. The gearing of the company stands at 2.48 times as on March 31, 2018 compared to 1.90 times as on March 31, 2017. The total debt of Rs. 16.73 crore of the company comprises long term debt of Rs.3.44 crore, short term loan of Rs.12.32 crore and unsecured loan from promoters of Rs.0.97 crore. Interest coverage ratio (ICR) is moderate at 1.51 times in FY 2018 as against 1.62 times in FY 2017. The debt service coverage ratio also stood low at 0.75 times in FY2018 and 0.81 times in FY2017. The net cash accruals to total debt stand low at 0.04 times in FY2018 as compared to 0.05 times in the previous year.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 220 days in 2017-18, increased marginally from 217 days in 2016-17. These high GCA days emanates from collection period and inventory holding period of 63 days and 192 days respectively in FY18. Company's operations are expected to remain working capital intensive as the company is engaged in manufacturing of MS Ingots, which leads to an inventory holding period of around 95 days in order to meet the requirement of their regular 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.

Liquidity Position:

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.0.71 crore in FY2017-18, while its maturing debt obligations were Rs.0.62 crore in FY2017-18. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 220 in FY 2018. This has led to higher reliance on working capital borrowings, the working capital limit in the company remains utilised at 100 percent during the last 6 months period ended February 2018.

Outlook: Stable

Acuite 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.60	52.36	35.91
EBITDA	Rs. Cr.	2.72	2.28	1.16
PAT	Rs. Cr.	0.29	0.22	0.20
EBITDA Margin	(%)	4.34	4.35	3.22
PAT Margin	(%)	0.46	0.41	0.55
ROCE	(%)	11.16	11.29	8.65
Total Debt/Tangible Net Worth	Times	2.48	1.90	1.51
PBDIT/Interest	Times	1.51	1.62	1.75
Total Debt/PBDIT	Times	5.97	5.18	7.87
Gross Current Assets (Days)	Days	220	217	251

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 (Rs. Cr)	Ratings/Outlook
28-Feb-2018	Cash Credit	Long Term	12.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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