

**Press Release**  
**Jagdamba Ispat Private Limited**  
**March 30, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	13.75	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	2.25	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	16.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.13.75 Cr. and also reaffirmed short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.2.25 Cr. for the bank facilities of Jagdamba Ispat Private Limited. The outlook is '**Stable**'.

**Rationale for the rating**

The rating is reaffirmed taking into cognizance the sound business risk profile of the company's revenue which remained at Rs 107.39 Cr. in FY2023, a slight decline against Rs 113.68 Cr. in FY2022 due to correction in price realisation of ingots. Further, the company has achieved revenues of around Rs.107.33 Cr. till eleven months ended February 2024 (Provisional). The company's operating margin increased slightly from 2.67 percent in FY2023 to 2.45 percent in FY2022. The rating also factors in the experienced management, established track record of operations and improving working capital cycle.

However, the rating is constrained by average financial risk profile marked by improving net worth, moderate gearing and moderate debt protection metrics, and inherent pressure on margins due to volatility in raw material prices in the cyclical steel industry.

**About the Company**

Incorporated in 2004. The company is engaged in manufacturing of MS Ingots. The present directors of the company are Mr. Sandeep Murarka and Mr. Sanjay Kumar Murarka. The registered office of the company is in Kolkata.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered a standalone business and financial risk profile of JIPL while arriving at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management established track record of operations.**

JIPL commenced operations in 2004. The Directors Mr. Sandeep Murarka has experience of more than a decade in the iron and steel industry. This has enabled the company to maintain

long standing relations with customers and suppliers. Acuite believes that the Company will continue to benefit from the extensive experience of the management over the medium term.

### **Improving Working capital cycle**

The working capital cycle of the company improved as reflected by Gross Current Assets(GCA) of 92 days for FY2023 as compared to 101 days for FY2022. The debtor period stood at 53 days as on FY2023 as compared to 66 days as on FY2022. Further, the inventory days of the company stood at 35 days in FY2023 as compared to 32 days in FY2022. Creditors stood at 26 days as on FY2023.

Acuite believes that the working capital operations of the company will remain at the similar levels over the medium term.

### **Weaknesses**

#### **Average financial risk profile**

The financial risk profile of the company is marked by improving net worth, moderate gearing and debt protection metrics. The tangible net worth of the company stood at Rs.9.29 Cr. as on FY2023 as compared to Rs.8.51Cr. as on FY2022 due to small accretion to reserves. The gearing of the company stood high at 1.77 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.83 times as on FY2023. The debt protection metrics of the company remain moderate marked by Interest coverage ratio (ICR) of 1.90 times and debt service coverage ratio (DSCR) of 1.79 times for FY2023. The net cash accruals to total debt (NCA/TD) stood low at 0.07 times in FY2023.

Going forward, Acuite believes that the financial risk profile will remain at similar levels over the medium term, supported by low accrual and moderate debt protection metrics.

#### **Volatility in raw material prices**

The company's performance remains vulnerable to cyclicity in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclicity. Further, operating margins are vulnerable to volatility in the input prices (iron ore and coal) as well as realisation from finished goods. The prices and supply of the main raw material, iron ore, directly impacts the realisations of finished goods. Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the company will remain a key monitorable. 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.

#### **Rating Sensitivities**

- Scaling up of operations while maintaining their profitability margin
- Further deterioration in liquidity position of the company

#### **Liquidity Position**

##### **Stretched**

The company has stretched liquidity marked by net cash accruals of Rs 1.22 Cr. as on FY2023 as against long term debt of Rs. 0.13 Cr. The cash and bank balance stood at Rs. 0.07 Cr. for FY 2023. Further, the current ratio of the company stood at 1.10 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 92 days for FY2023 as compared to 101 days for FY2022. The bank limit of the company has been ~98 percent utilized for the last six months ended in February 2024. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of low but steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

#### **Outlook: Stable**

Acuite believes that JIPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its established presence in the iron and steel industry. The outlook may be

revised to 'Positive' in case of a substantial increase in the scale of operations and improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenues and profit margins, or elongation in the working capital cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	107.39	113.68
PAT	Rs. Cr.	0.78	0.75
PAT Margin	(%)	0.73	0.66
Total Debt/Tangible Net Worth	Times	1.77	1.81
PBDIT/Interest	Times	1.90	1.87

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jan 2023	Bank Guarantee (BLR)	Short Term	2.25	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB-   Not Applicable (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.75	ACUITE BB-   Not Applicable (Reaffirmed & Issuer not co-operating*)
06 Oct 2021	Bank Guarantee/Letter of Guarantee	Short Term	2.25	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.75	ACUITE BB- (Reaffirmed & Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.25	ACUITE A4+   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.75	ACUITE BB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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