

## Press Release

Jagdamba Liquified Steels Limited

July 23, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.20.00 crore bank facilities of Jagdamba Liquified Steels Limited. The outlook is '**Stable**'.

Jagdamba Liquified Steels Limited (JSL), incorporated in May 1993, is promoted by Mr. Hari Mohan Lohia and Ms. Usha Lohia. The company is engaged in manufacturing of specialty steel castings, classified as safety components. These components are primarily used for industries such as Indian Railways, Defence services, auto industry and engineering companies. The company is a Tier-1 supplier for Tata Motors Limited and Ashok Leyland. The company is a class 'A' foundry approved by RDSO. Currently, the company has two production facilities located at Roorkee with a total installed capacity of 15000 MTPA.

### Key Rating Drivers

#### Strengths

##### • Experienced management

Jagdamba Liquified Steels Limited (JSL), incorporated in May 1993, is engaged in manufacturing of specialty steel castings, classified as safety components used in industries like railway, Defence, Auto industries among others. The promoters have experience of more than two decades in the said industry. Acuité believes that JSL will benefit from its established position in the said industry, experienced management and established relationships with customers and suppliers.

##### • Efficient working capital management

JSL has efficient capital working management marked by Gross Current Asset (GCA) days of 67 for FY2018 (Provisional) as against 68 in the previous year. Inventory and debtor days stood comfortable at 59 and 10 respectively for FY2018 (Provisional). Further, the bank limit utilisation for last six months ending June 2018 stood at ~95 percent (Provisional). Going ahead, the ability of the company to efficiently manage its working capital requirements will remain key rating sensitivity.

##### • Above average financial risk profile

The financial risk profile is above average marked by net worth of Rs.17.06 crore (including quasi-equity of Rs.1.76 crore) as on 31 March, 2018 (Provisional) as compared to Rs.15.20 crore (including quasi-equity of Rs.0.84 crore) as on 31 March, 2017. Gearing (debt-equity) stood at 0.97 times as on 31 March, 2018 (Provisional) as against 1.29 times as on 31 March, 2017. The total debt of Rs.15.94 crore as on 31 March, 2018 (Provisional) comprises of term loan of Rs.4.48 crore and working capital facility of Rs.12.15 crore. Interest coverage ratio stood at 2.58 times for FY2018 (Provisional) as against 1.90 times for FY2017. DSCR stood at 1.59 times for FY2018 (Provisional). Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.12 times as on 31 March, 2018 (Provisional) as against 1.41 times as on 31 March, 2017. Acuité believes that the financial risk profile of the company will remain above average in absence of any major debt funded capex and moderate net cash accruals.

## Weaknesses

- **Tender driven business and competitive and fragmented nature of industry**

The company's performance is susceptible to the tender based nature of activities and intense competition among other players bidding for railway and defense contracts. The company generates around 65 percent revenue from government projects and the balance 30 percent from auto companies. Further, the risk is mitigated at an extent since the company is a class 'A' foundry approved by RDSO, this limits the total number of bidders for the contract.

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JSL to arrive at the rating.

## Outlook: Stable

Acuité believes that JSL will maintain a 'Stable' outlook in the medium term owing to its established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and accruals while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and accruals or larger than expected debt funded capex undertaken by the company.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.61	96.47	92.55
EBITDA	Rs. Cr.	6.50	5.33	5.03
PAT	Rs. Cr.	0.97	0.20	0.10
EBITDA Margin	(%)	6.46	5.52	5.44
PAT Margin	(%)	0.97	0.20	0.11
ROCE	(%)	11.04	9.06	15.59
Total Debt/Tangible Net Worth	Times	0.97	1.29	1.30
PBDIT/Interest	Times	2.58	1.90	1.97
Total Debt/PBDIT	Times	2.54	3.64	3.87
Gross Current Assets (Days)	Days	67	68	88

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Not Applicable

**\*Annexure – Details of instruments rated**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. Cr.)</b>	<b>Ratings/Outlook</b>
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.89	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A3
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.46	ACUITE BBB- / Stable

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**About Acuité Ratings & Research:**

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