

Press Release

Jagdamba Liquified Steels Limited

December 23, 2019



Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs.21.00 Cr. (Enhanced from Rs.20.00 crore)
Long Term Rating	ACUITE D (Downgraded from ACUITE BB+)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded its long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.20.00 crore bank facilities of JAGDAMBA LIQUIFIED STEELS LIMITED.

Further, Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) and short term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs.1.00 crore bank facilities of JAGDAMBA LIQUIFIED STEELS LIMITED.

New Delhi based, Jagdamba Liquified Steels Limited (JSL), was incorporated in 1993 and is promoted by Mr. Hari Mohan Lohia and Ms. Usha Lohia. Company is engaged in manufacturing of specialty steel castings, classified as safety components. These components are primarily used for industries such as Indian Railways, Defense services, auto industry and engineering companies. 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.

Analytical Approach

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

Key Rating Drivers

Strengths

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

Promoters of JSL, Mr. Hari Mohan Lohia and Ms. Usha Lohia have extensive experience in the business of manufacturing of steel castings. Further, having more than two decades of operational track record has enabled the company to maintain healthy relations with its customers and suppliers. Acuité believes that JSL will benefit from its established position in the said industry, experienced management and established relationships with customers and suppliers.

Weaknesses

- **Delay in servicing debt obligation**

JSL has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. Account has been irregular on account of delays in repayment of term loans (TL).

- **Customer concentration risk**

JSL faces high customer concentration risk. Its major customer, Indian Railways accounted for around 70 percent of its sales in the last three years. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

Rating Sensitivities

- Timely repayment of debt obligation
- Improvement in profitability

Material Covenants

None

Liquidity Position: Stretched

Liquidity of JSL is stretched marked led by delays in servicing debt obligation.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	124.11	100.49
PAT	Rs. Cr.	1.09	0.77
PAT Margin	(%)	0.87	0.77
Total Debt/Tangible Net Worth	Times	0.91	0.99
PBDIT/Interest	Times	2.28	2.11

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
30-Sep-2019	Cash Credit	Long Term	13.00	ACUITE BB+(Downgraded from BBB-/Stable) Issuer not co-operating*
	Term Loans	Long Term	0.25	ACUITE BB+(Downgraded from BBB-/Stable) Issuer not co-operating*
	Term Loans	Long Term	1.89	ACUITE BB+(Downgraded from BBB-/Stable) Issuer not co-operating*
	Term Loans	Long Term	1.15	ACUITE BB+(Downgraded from BBB-/Stable) Issuer not co-operating*
	Bank Guarantee/ Letter of Guarantee	Short Term	3.25	ACUITE A4+ (Downgraded from A3) Issuer not co-operating*
	Proposed Bank Facility	Long Term	0.46	ACUITE BB+(Downgraded from BBB-/Stable) Issuer not co-operating*
23-Jul-2018	Cash Credit	Long Term	13.00	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	0.25	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	1.89	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	1.15	ACUITE BBB-/Stable (Assigned)

	Bank Guarantee/ Letter of Guarantee	Short Term	3.25	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	0.46	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.25	ACUITE D (Downgraded from ACUITE BB+)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.88	ACUITE D (Downgraded from ACUITE BB+)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.43	ACUITE D (Downgraded from ACUITE BB+)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE D (Downgraded from ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.19	ACUITE D (Downgraded from ACUITE BB+)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE D (Downgraded from ACUITE BB+) (Withdrawn)

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About Acuité Ratings & Research:

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