

Press Release

Jai Rama Raghava Steels

August 08, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 7.00 crore bank facilities of Jai Rama Raghava Steels. The outlook is '**Stable**'.

Established in 2007, Jai Rama Raghava Steels is a proprietorship firm based out of Chennai (Tamil Nadu) engaged in trading of Iron and steel scraps. The firm is promoted by Mr. Senthil who has a decade of experience in the industry.

Key Rating Drivers

Strengths

- **Average Financial risk profile:**

The financial risk profile of Jai Rama Raghava Steels is moderate marked by EBITDA and PAT margin of 2.85 percent and 1.33 percent respectively in FY2018 (Provisional) as against 2.32 percent and 1.05 percent respectively in FY2017. Debt-Equity ratio stood at 3.28 times in FY2018 (Provisional) as against 2.49 times in FY2017. Interest Coverage Ratio stood at 1.95 times in FY18 (Provisional) as against 1.88 times in FY2017. Gross Current Assets (GCA) stood at 186 days in FY18 (Provisional) as against 174 days in FY2017 and working capital cycle days increased to 81 days in FY18 (Provisional) as against 44 days in FY2017.

Weaknesses

- **Modest scale of operation:**

JRRS's scale of operation is modest with operating income decreased to Rs.28.10 crore in FY2018 (Provisional) as against Rs.32.28 crore in FY2017. In Last 4 years, the operating income has been flat with Rs.32.72 crore and Rs.34.57 crore in FY2015 and FY2016 respectively. Acuité believe the scale of operation to remain modest in medium term on account of intensely competitive market to gain market share.

- **Highly competitive and fragmented industry**

The trading of Iron and Steel scrap industry is highly competitive and fragmented industry which has a large number of unorganised players. The competition is intense due to low entry barriers and low product differentiation.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Jai Rama Raghavaa Steels

Outlook: Stable

Acuité believes that JRRS will maintain 'Stable' outlook over the medium term on the account of moderate financial risk profile. The outlook may be revised to 'Positive' in the case of increase in scale of operation while maintaining profitability. The outlook may be revised to 'Negative' if the firm registers lower than expected improve in scale operation and deteriorating working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.10	32.28	34.56
EBITDA	Rs. Cr.	0.80	0.75	0.71

PAT	Rs. Cr.	0.37	0.34	0.34
EBITDA Margin	(%)	2.85	2.32	2.07
PAT Margin	(%)	1.33	1.05	0.99
ROCE	(%)	14.21	16.62	31.59
Total Debt/Tangible Net Worth	Times	3.28	2.49	2.79
PBDIT/Interest	Times	1.95	1.88	1.96
Total Debt/PBDIT	Times	6.38	4.18	4.60
Gross Current Assets (Days)	Days	186	174	168

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Not Applicable

***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	5.00	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating

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