

## Press Release

### Jai Rama Raghava Steels

August 08, 2018

### Rating Assigned



|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 7.00 Cr.                |
| <b>Long Term Rating</b>             | ACUITE B+ / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuite 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. Acuite 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

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

#### Outlook: Stable

Acuite 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 |

#### Contacts

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#### About Acuité Ratings & Research:

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