

Press Release

Shree Jagdamba Coke Industries Private Limited

January 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.11 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 11.11 crore bank facilities of Shree Jagdamba Coke Industries Private Limited. The outlook is '**Stable**'.

Established in 1972 as a partnership firm, the Jharkhand based SJCI was subsequently incorporated as a private company in 1993. The company is promoted by Mr. Kailash Agarwalla, Mr. Manish Agarwalla and Mr. Sanjeev Agarwalla. SJCI manufactures low ash metallurgical coal with an installed capacity of 10800 MTPA.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SJCI to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters**

The company benefits from over five decades of promoters' experience in the industry which has enabled the company to establish a long standing relationship with its suppliers and customers.

- **Moderate scale of operations**

SJCI's scale of operation is moderate reflected in operating revenue of Rs.18.42 crore in FY2018 as against Rs.14.94 crore in the previous year. The profitability remained healthy at 12.49 percent in FY2018 as against 13.22 percent in FY2017. However, the net profit margins remained subdued on account of significant reliance on bank lines leading to high interest cost. The net profit margins stood at 0.76 percent in FY2018 as against 1.21 percent in the previous year. Going forward, the company's ability ramp up its production will remain a key monitorable.

Weaknesses

- **Stretched liquidity profile**

SJCI's liquidity profile remains stretched reflected in fully utilised bank lines for the past 6 months through November, 2018. The same was on account of large working capital requirements and modest cash accruals. The Gross Current Assets (GCA) stood at 441 days due to stretch in receivables of more than 180 days and inventory of 161 days as on March 31, 2018. The net cash accruals against total debt (NCA/TD) stood at 0.04 times as on March 31, 2018 as against 0.05 times in the previous year. Going forward, the company's ability to improve its working capital operations will remain a key rating monitorable.

- **Susceptible to cyclical demand in the coke industry and volatility in raw material prices**

Coke is used as fuel for manufacturing long products in iron and steel industry. Hence, demand for the LAM coke industry is linked to the performance in this end-user segment which is inherently cyclical in nature, resulting in significant volatility in demand of coke. Additionally, SJCI's profitability is also vulnerable to fluctuations in input prices (coal) as well as realisations of finished goods.

Outlook: Stable

Acuite believes that SJCI will maintain 'Stable' outlook over the medium term on account of the

experienced management. The outlook may be revised to 'Positive' in case of case of substantial increase in revenue profile or profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile or further deterioration in liquidity profile.

Acuite believes that SJCI will maintain 'Stable' outlook over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case of case of substantial increase in revenue profile or profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile or further deterioration in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.42	14.94	19.20
EBITDA	Rs. Cr.	2.30	1.98	0.00
PAT	Rs. Cr.	0.14	0.18	0.00
EBITDA Margin	(%)	12.49	13.22	9.48
PAT Margin	(%)	0.76	1.21	0.75
ROCE	(%)	9.61	8.44	17.08
Total Debt/Tangible Net Worth	Times	1.20	1.17	0.77
PBDIT/Interest	Times	1.27	1.40	1.54
Total Debt/PBDIT	Times	5.04	5.59	3.96
Gross Current Assets (Days)	Days	442	488	378

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	11.11	ACUITE B / Stable

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in Swati Banthia Analyst - Rating Operations Tel: 033-66201211 swati.banthia@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.*