

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

Acuité 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

Acuité 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

Acuité 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 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.

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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

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About Acuité Ratings & Research:

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