Press Release
JAI HANUMAN UDYOG LIMITED
December 06, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE BB+ | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	42.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE BB+' (read as ACUITE double B pluso)**n Rs.42 crore bank facilities of Jai Hanuman Udyog Limited (JHUL). The outlook is **'Stable'** .

Rationale for rating recommendation

The rating reaffirmation continues to reflect JHUL's long track record of operations in the iron industry and its experienced management. The rating also continues to factor in JHUL's average financial risk profile marked by average net worth, low gearing and moderate debt protection metrics. Further, the operating performance of the company remained stable as revenue stood at Rs. 139.49 Cr. in FY2024 as against Rs. 141.39 Cr. in FY2023. The revenue in FY2024 marginally declined due to lower price realizations. The operating margin of the company stood at 7.04 % in FY2024 as against 7.10 % in FY2023 The rating however, remains constrained by high customer concentration risk, moderate working capital management, high reliance on working capital limits and exposure to inherent cyclical nature of the steel industry and the vulnerability of the margins to the volatility in commodity prices.

Going ahead, the ability of the company to improve its scale of operations, profitability margins and financial risk profile while maintaining efficient working capital cycle will be key monitorable.

About the Company

Incorporated in 2003, Jai Hanuman Udyog Limited (JHUL) is engaged in the manufacturing of sponge iron with a total installed capacity of 73000 MTPA in its manufacturing facility located in Jharsuguda, Odisha. The operations of the company are being managed by current Promoter Director, Mr. Deepak Agarwal, Sameer Agarwal and Kabita Kedia. The operations of the company were taken over by the current management in June'20.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

The Promoters of the company namely, Mr. Deepak Agarwal, Mr. Sameer Agarwal & Mrs. Kabita Kedia have extensive experience in the Iron & Steel Industry of more than one and a half decade. The promoter's extensive experience has played a pivotal role in the company's ability to cultivate robust relationships with both its customers and suppliers. Further, they are ably supported by a group of experienced professionals as well. Acuité believes that the long experience of the management might continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Steady business risk profile

The revenue of the company stood at Rs. 139.49 Cr. in FY2024 as against Rs. 141.39 Cr. in FY2023. The revenue in FY2024 declined due to lower price realizations while volumes marginally increased. The capacity utilization remained at 58% in FY2024 as compared to 57% in FY2023. The operating profit margins remained range bound at 7.04% in FY2024 as against 7.10% in FY2023. The net profit margins of the company increased to 2.67 % in FY2024 as against 2.57 % in FY2023. Further, the company has booked revenue of ~ Rs.93 Cr. 8M FY2024.
Going forward, Acuite believes that the revenue of the company will remain healthy on account of steady demand from the domestic market.

Average financial risk profile

The financial risk profile of the company stood average marked by average net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.28.06 Cr. as on 31 March 2024 as against Rs.24.33 Cr. as on 31 March, 2023. The total debt of the company stood at Rs.33.06 Cr. which includes Rs.1.20 Cr. of long-term debt, Rs. 2.50 Cr. of USL from directors, Rs.27.83 Cr. of short term debt, and Rs.1.53 Cr. of CPLTD as on 31 March, 2024. The gearing (debt-equity) stood at 1.18 times as on 31 March, 2024 as against 1.95 times as on 31 March, 2023. Debt protection metrics of DSCR and ICR marginally improved yet remained moderate at 2.09 times and 2.68 times in FY2024 as compared to 1.94 times and 2.48 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.56 times as on 31 March, 2024 as against 2.77 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times for FY2024 as against 0.11 times for FY2023.
Going forward, the team believes that the financial risk profile of the company will improve on account of steady net cash accruals and absence of any major debt funded capex plan.

Weaknesses

Moderate nature of working capital operations

The working capital operations of the company improved and remained at moderate levels marked by reduction in GCA days to 123 days in FY2024 as against 186 days for FY2023. The improvement is led by lower other current assets and inventory days during the year, which stood at 84 days in FY2024 as against 144 days in FY2023. The debtor days stood at 15 days in FY2024. The creditor days stood at 21 days in FY2024 as against 29 days in FY2023. The average utilization of the fund based stood high at 96% in last six months ended October 2024.

Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term considering the moderate level of inventories and low debtors.

Customer concentration risk

The company faces high customer concentration risk with the top 2 customers collectively accounting for approximately ~88% of the total revenue, indicating a high degree of concentration of revenue among a limited number of clients. However, it is worth noting that the company has maintained long and established relations with these companies.

Acuite believes that ability of the company to diverse its customer base is a key rating sensitivity.

Inherent cyclical nature of the steel industry

The company's performance remains vulnerable to cyclicality in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclicality. Further, operating margins are vulnerable to volatility in the input prices (iron ore and coal) as well as realization from finished goods. The prices and supply of the main raw material, iron ore and coal, directly impacts the realization of finished goods.
Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the company will remain a key monitorable.

Rating Sensitivities

- Improvement in scale of operations and profitability margins.
- Sustenance of capital structure.
- Elongation of working capital cycle.

Liquidity Position

Adequate

The company has an adequate liquidity position marked by net cash accruals of Rs.5.59 Cr. as against nominal repayment obligation of Rs.0.57 Cr. The company is expected to generate net cash accruals in the range of Rs. 6.00 Cr - Rs. 7.00 Cr. during the period FY 25 - FY26 against repayment obligations ranging between Rs. 0.30 Cr - Rs. 0.60 Cr. for the same period. The current ratio stood moderate at 1.20 times as on March 31, 2024. The cash and bank balances of the company stood at Rs.0.06 Cr. as on March 31, 2024. Further, the working capital operations of the company are moderate in nature marked by Gross Current Assets (GCA) of 123 days in FY2024 as compared to 186 days in FY2023, high reliance on fund-based limits which remained utilised ~96.88 % for six months ended October 2024.

Acuité believes that going forward the company is likely to maintain adequate liquidity position on account of steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	139.49	141.39
PAT	Rs. Cr.	3.73	3.64
PAT Margin	(%)	2.67	2.57
Total Debt/Tangible Net Worth	Times	1.18	1.95
PBDIT/Interest	Times	2.68	2.48

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2023	Cash Credit	Long Term	36.00	ACUITE BB+ | Stable (Assigned)
	Working Capital Term Loan	Long Term	2.75	ACUITE BB+ | Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.25	ACUITE BB+ | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	37.50	Simple	ACUITE BB+ | Stable | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.75	Simple	ACUITE BB+ | Stable | Reaffirmed
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	02 Nov 2026	2.75	Simple	ACUITE BB+ | Stable | Reaffirmed

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About Acuité Ratings & Research

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