



Press Release

Jai Hanuman Udyog Limited

July 10, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities	32.75	IVR BB- /Stable [IVR Double B minus with Stable outlook]	IVR B+/Negative/ ISSUER NOT COOPERATING [IVR B Plus; with Negative Outlook / Issuer Not Cooperating*]	Upgraded and removed from Issuer Not Cooperating category and simultaneously withdrawn	Simple
Total	32.75 (Rs. Thirty- two crore and seventy- five lakh only)				

*Issuer not cooperating; Based on best available information

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded and withdrawn long term rating of IVR BB- with a Stable outlook assigned to bank loan facilities of Jai Hanuman Udyog Limited (JHUL) with immediate effect. The rating has been removed from Issuer not cooperating category before being withdrawn. The rating has been withdrawn at the request of the company vide email dated December 12, 2023. Infomerics has received "No objection certificate" from the banker who has extended the facilities, and which have been rated by Infomerics.

The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.



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The rating has been upgraded, taking into consideration the extensive experience of the promoters in the steel industry and the stable scale of operations. The rating further draws comfort from the plant's proximity to raw material access and moderate debt protection metrics. However, the rating continues to be constrained by the leveraged capital structure, susceptibility of operating margins to volatility in raw material prices and finished goods as well as intense competition. Additionally, the rating is constrained by the limited pricing flexibility in the steel industry and cyclical nature of the steel industry.

The stable outlook indicates low likelihood of rating change over the medium term. Infomerics believes that JHUL will continue to benefit from its operational track record in the business and improved financial risk profile.

Infomerics Ratings has principally relied on the standalone provisional financial results of JHUL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities: Nil

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in steel industry**

JHUL is promoted by Mr. Deepak Agarwal, Mr. Sameer Agarwal and Mrs. Kabita Kedia. The promoters have experience of more than a decade in the steel industry. Further, longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers and suppliers and withstand industry cycles.

- **Stable scale of operations**

Total Operating Income (TOI) of the company increased from Rs. 134.11 Crore in FY22 to Rs. 141.39 Crore in FY23 due to an increase in the sales volume of sponge iron and revenue from iron ore fines, a by-product of sponge iron. The TOI of JHUL marginally declined by ~1.35%



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from Rs. 141.39 Crore in FY23 to Rs. 139.49 Crore in FY24 (Prov.), mainly because the company did not sell iron fines, a byproduct sold in FY23, opting to utilize it internally in FY24. The company's profitability margins, such as the EBITDA margin, remained almost the same at 6.98% in FY22 compared to 6.97% in FY23, and declined marginally by ~4 bps in FY24, i.e., from 6.97% in FY23 to 6.93% in FY24, due to an increase in raw material consumption costs. However, the PAT margin stood at 2.44% in FY22 and increased by ~13 bps, i.e., from 2.56% in FY23 to 2.69% in FY24, due to a decline in interest expenses.

- **Proximity of plant to raw material sources**

The company's manufacturing facility is located at Jharsuguda, Odisha, with an installed capacity of 73,000 MT. The facility benefits from low transportation costs and easy access to key raw materials, including iron ore, pellets, and coal, due to its strategic location.

Key Rating Weaknesses

- **Leveraged capital structure albeit moderate debt coverage indicators**

The capital structure remains leveraged despite the improvement seen in FY24, along with moderate debt protection metrics. The overall gearing ratio of the company as on 31-Mar-2024 stood at 1.71x compared to 2.78x as on 31-Mar-2023 due to decline in total debt as a result of lower utilisation of bank borrowings. The total indebtedness of the company as reflected by TOL/ATNW has improved from 3.97x as on 31-Mar-23 to 2.61x as on 31-Mar-24. This improved on account of decline in debt due to lower utilisation of bank borrowings. The debt protection metrics improved marked by Interest Coverage Ratio of 2.56x times in FY24 (FY23: 2.34x). Total Debt to NCA stood at 6.35 years in FY24 as against 9.01 years in FY23. Debt Service Coverage Ratio stood at 2.16x in FY24 (FY23: 2.02x).

- **Susceptibility of operating margin to volatility in raw material prices and finished goods**

Since the raw material is the major cost driver and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situation and other macro-economic factors.



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- **Intense competition and limited pricing flexibility in steel industry**

The steel manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent intense competition. Further, the domestic steel industry is cyclical in nature, which is likely to impact the cash flows of the manufacturers including JHUL.

- **Cyclicality in steel industry**

The steel industry is sensitive to the business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Furthermore, the producers of steel & related products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility of the steel industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

JHUL's liquidity is adequate marked by ~94.54% average utilisation of fund-based working capital limits working capital limits for last 12 months ended May 2024. It expects sufficient cushion in cash accrual against its scheduled debt repayment obligation. The Current Ratio of the company stood above unity at 1.45x as on March 31, 2024. The unencumbered cash and bank balance as on March 31, 2024, is Rs. 0.80 Crore. The cash operating cycle of the company is of 110 days in FY24 (FY23: 112 days).

About the Company



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Jai Hanuman Udyog Limited (JHUL), incorporated in 2003 as a public limited company, is engaged in the manufacturing of sponge iron. The manufacturing plant is located at Jharsuguda, Odisha, and has an installed capacity of 73,000 MT.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	141.39	139.49
EBITDA	9.86	9.67
PAT	3.64	3.77
Total Debt	47.36	35.64
Tangible Net Worth	17.03	20.80
EBITDA Margin (%)	6.97	6.93
PAT Margin (%)	2.56	2.69
Overall Gearing Ratio (x)	2.78	1.71
Interest Coverage (x)	2.34	2.56

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork Ratings India Private Limited vide its press release dated April 23, 2024, has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (May 10, 2024)	--	Date (March 24, 2023)	--
1.	Fund Based Bank Facilities	Long Term	32.75	IVR BB-/ Stable; Withdrawn	IVR B+/ Negative; Issuer Not Cooperating	--	IVR BB-/ Stable	--



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	--	--	--	November 2026	2.75	IVR BB-/ Stable; Withdrawn
Long Term Bank Facilities – Cash Credit	--	--	--	--	30.00	IVR BB-/ Stable; Withdrawn

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-JHUL-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.