



## Press Release

### Jai Raj Ispat Limited

**November 15, 2022**

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a> (Simple / High / Complex)
Long Term Fund Based Bank Facilities	560.00	IVR A- (Outlook: Stable) [IVR Single A Minus with Stable Outlook]	Assigned	Simple
Short Term Non-Fund Based Bank Facilities	10.17	IVR A2+ [IVR A Two Plus]	Assigned	Simple
<b>Total</b>	<b>570.17</b>	<b>INR Five Hundred Crores Seventy Lakhs and Seventeen Thousand Only</b>		

#### Detailed Rationale

The rating assigned to Jai Raj Ispat Limited factors in the strength from the extensive experience of the promoters in the steel industry and a strong financial risk profile of the company.

The ratings also draw strength from established relationships with reputed customers which has enabled them to get repeat orders. These strengths are partially offset by susceptibility to volatility in raw material prices and working capital intensive nature of operations.

The ratings are further constrained by the competition faced by the company from other organised and unorganised players from the industry. Given the company's ongoing debt-funded capex, the capital structure and coverage indicators shall remain moderate in the near to medium term. The ratings also consider JRIL's large repayment obligation and debt-funded capex during FY24–FY25, which exposes it to refinancing and project execution risks. The quantum of debt funding remains a sensitivity.

#### Key Rating Sensitivities:



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### Upward Factors

- Healthy increase in its revenues and improve its liquidity position while maintaining healthy profit margins and credit metrics, on a sustained basis
- Timely completion of ongoing expansion project without any cost or time overruns

### Downward Factors

- If the company encounters unexpected challenges during the execution phase of the capex leading to time and cost overruns as well as a deterioration of the liquidity position.
- Significant decline in the Company's profitability leading to an adverse impact on its profitability, credit metrics and liquidity position
- Adjusted TOL/TNW higher than 2X

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters** – The promoter of JRIL, Mr Sajjan Kumar Goenka (Managing Director) has experience of over three decades in the steel industry. He is ably assisted by a team of well qualified and experienced professionals. JRIL's presence in the industry has enabled it to garner customer confidence over the decades thereby, establishing a well-reputed brand in the name of 'Jai Raj TMT' in the states of Telangana & Andhra Pradesh.
- **Strong Debt Protection Metrics** – The company has a strong financial risk profile on account of healthy cash accruals and accumulation of a sizeable net worth over the years. The adjusted Tangible Net Worth of the company stands high at Rs 391.84cr in FY22 increasing from Rs 321.51cr in FY21 leading to a low overall adjusted gearing of 0.62X in FY22. With healthy profitability and limited debt repayment obligations, JRIL's coverage metrics remained strong, as depicted by an estimated interest cover of 6.05X and DSCR of 5.34X in FY2022. The liquidity



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position also remained comfortable, supported by healthy accruals and adequate cushion in working capital limits.

- **Improved Financial Performance** – Total operating income of the company increased y-o-y by 77.91% to Rs. 838.16 cr. in FY22 from Rs.469.93 cr. in FY21 majorly backed by higher realization on account of increase in steel prices during Q3 and Q4 of FY22. However, EBITDA margin has been on a declining trend, it declined to 9.50% in FY22 from 11.90 % in FY21, mainly due to increasing input cost along with significant increase in fuel and logistic expenses. The sales realizations increased but the raw material viz. scrap prices and conversion cost to billets were relatively higher, thereby imparting pressure on the profitability margins

### Key Rating Weaknesses

- **Significant capital expenditure towards capacity** - JRIL is setting up an integrated steel plant with installed capacity of 0.3 million MTPA at a proposed project cost of Rs. 751.41 crore at Guttapudu, Orvakal Mandal, Dist. Kurnool, Andhra Pradesh for manufacturing of high-quality TMT Rebars through Blast Furnace Route. JRIL has been sanctioned a term loan of Rs 500 crore for the said capex. Also, the same would result in moderation in its capital structure and debt coverage indicators, going forward. The project is expected to achieve commercial operations (COD) by Oct. 2023. Although the project is progressing as per schedule without any time or cost overrun, successful completion of the project and ability of the company to derive envisaged benefits from the same remain critical from rating and credit perspective.
- **Intense competition from the unorganized sector and cyclicity in the steel industry** – The Indian steel industry is characterized by high degree of fragmentation due to the presence of the large numbers of unorganized players. Further, low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers. Furthermore,



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the industry is highly cyclical in nature resulting in fluctuating revenue and profitability.

- **Cyclical Nature:** The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to demand supply mismatch

**Analytical Approach:** Standalone

**Applicable Criteria**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria Of Assigning Rating Outlook](#)

**Liquidity – Strong**

The company has a current ratio of 4.66X in FY22 and an average cash credit utilization of 39% reflecting a strong liquidity position. The liquidity position of the company is further supported by sufficient accruals and no major debt repayment obligation until FY25. Although, the company in undertaking a large debt funded capex and the debt repayments are likely to be high in future, nevertheless, JRIL is envisaging to achieve significant accruals to comfortably service the debt obligations

**About the Company**



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Jai Raj Ispat Limited (JRIL) was incorporated in 1984 as private limited company by Mr. Sajjan Kumar Goenka and his late wife, Mrs. Nirmala Devi Goenka, and was later reconstituted as a public limited company in 1998. The company is located in Jeedimetla, Telangana and is engaged in manufacturing of thermo-mechanically treated (TMT) steel bars, billets and sponge iron. JRIL has three manufacturing units viz. a furnace division (FD) for billets in Telangana with installed capacity of 1,00,000 MTPA, rerolling mill division (RMD) for TMT bars in Telangana with installed capacity of 1,00,000 MTPA and sponge iron manufacturing division in Bellary, Karnataka with installed capacity of 1,00,000 MTPA. JRIL primarily markets its products under the brand 'Jai Raj'.

### Financials (Standalone):

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	469.93	838.16
EBITDA	55.92	79.61
PAT	37.70	53.07
Total Debt	130.88	245.27
Tangible Networth (Adjusted)	321.51	391.84
<b>Ratios</b>		
EBITDA Margin (%)	11.90	9.50
PAT Margin (%)	7.92	6.27
Overall Gearing Ratio (Adjusted) (x)	0.67	0.99

**Status of non-cooperation with previous CRA:** Brickwork Ratings has migrated Jai Raj Ispat Ltd.'s Long-Term & Short-Term Rating to the non-cooperating category vide its press release dated 25<sup>th</sup> November 2021. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

### Any other information: NA

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	2021-22	2020-21	2019-20



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	2021-22	2020-21	2019-20
1.	Fund Based	Long Term	560.00	IVR A- (Outlook: Stable)	NA	NA	NA
2.	Non-Fund Based	Short Term	10.17	IVR A2+	NA	NA	NA
	<b>Total*</b>		<b>570.17</b>				

*\*Details in Annexure I*

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India 6 registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)

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are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities :

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities - <b>Term Loan 1</b>	-	-	-	300.00	IVR A- (Outlook:Stable) [IVR Single A Minus with Stable Outlook]
Long Term Fund Based Bank Facilities - <b>Term Loan 2</b>	-	-	-	200.00	
Long Term Fund Based Bank Facilities - <b>Cash Credit</b>	-	-	-	60.00	
Short Term Non Fund Based Bank Facilities - <b>Letter of Credit</b>	-	-	-	5.00	IVR A2+ [IVR A Two Plus]
Short Term Non Fund Based Bank Facilities - <b>Bank Guarantee</b>	-	-	-	5.00	
Short Term Non Fund Based Bank Facilities - <b>Forward Contract</b>	-	-	-	0.17	

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-JaiRaj-nov22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** The Terms of sanction include standard covenants normally stipulated for such facilities.

**Annexure 5: Complexity level of the rated Instruments/Facilities: NA**

**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 <http://www.infomerics.com>