Press Release

Jai Raj Ispat Limited

February 19, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term loans	1000.00	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	Rating Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	375.00(Enhanced from Rs 75 crore)	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	Rating Reaffirmed	Simple
Short term Bank Facilities	10.17	IVR A2+ [IVR A Two Plus]	IVR A2+ [IVR A Two Plus]	Rating Reaffirmed	Simple
Proposed Long Term Bank Facilities- Term loan	92.00	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	Rating Reaffirmed	Simple
Proposed Long Term Bank Facilities- Cash Credit	18.00	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	Rating Reaffirmed	Simple
Non-convertible debenture	*25.00	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	-	Rating Assigned	Simple
Proposed non-convertible debenture	*75.00	IVR A-/ RWDI [IVR A Minus with Rating Watch under Developing Implication]	-	Rating Assigned	Simple

Total	**Rs 1,595.17 Crore (One thousand five hundred ninety five crore and seventeen lakh Rupees Only)**				

***** Out of 100 crores total NCD, term sheet is there for complete Rs 100 crore NCD, But Debenture trustee deed is there for Rs 65 crore which issued in 2 tranches of Rs 25 crore and Rs 40 crore, Rs 25 crore trance already issued on 24th Jan 2025 and rest Rs 40 crore yet to be issued. Remaining Rs 35 crore debenture trust deed is yet to be made.

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

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings on the bank facilities and assigned the rating to the NCD's of Jai Raj Ispat Limited (JRIL). The rating continues to derive strength from experienced promoters, strong debt protection metrics and improved financial performance. The rating is constrained by cost escalation along with delays in capex implementation, intense competition from the unorganized sector and cyclical nature of the industry.

The rating is placed under RWDI (Rating watch with developing implications) on account of the ramp up in utilisation of its recently commissioned capacity yet to be achieved. The company has achieved the Commercial Operations Date (COD) for its capex program on 21st October 2024. The capex entails an increase in its TMT bar production capacity from 100,000 tpa to 550,000 tpa along with blast furnace and sintering plant. The total investment related to this capex is Rs.1811.28cr with the sintering plant expected to commence operations from mid of March 2025. The large repayments scheduled for FY26 and FY27 are expected to be met from the enhanced cash accruals from the expanded capacity. Given the challenges typically encountered during operationalisation of newly installed steel plants, any significant delays in the ramp up of capacity utilisation could undermine the large projected revenue and cash flows over next two years thereby pressurising liquidity.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in its revenues and improvement of its liquidity position while maintaining healthy profit margins.
- Improvement in the debt protection metrics.

Downward Factors

- Inability to ramp up the operations of newly installed capacities in timely fashion leading to liquidity stress.
- A significant decline in the company's profitability leading to an adverse impact on its profitability, and liquidity position.
- Deterioration in the debt protection metrics.

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 Tangible Net Worth of the company stood at Rs.452.14 crore at end FY24 (Audited) (Referred for period 1April 2023 to 31 March 2024) improving from Rs. 338.75 crore at end FY23. With growing turnover and profitability and limited debt repayment obligations until FY25, JRIL's coverage metrics strong, as depicted by an interest cover of 8.43x and DSCR of 8.23x in FY24 (Audited). The liquidity position also remained comfortable, supported by healthy accruals and adequate cushion in working capital limits. Leverage is expected to peak in FY25, with overall gearing expected to be close to 2.0x at the year end. Accordingly, EBITDA interest cover is expected to fall below 3.0x in the year, from 8.43x in FY24. JRIL's key credit ratios are expected to display a steady improvement from FY26 onwards, with scheduled repayments of term loans.

Integrated operations

JRIL's operations previously spanned sponge iron, steel melting, continuous casting, billeting and rolling, whereas post completion of the Rs.1811.28cr capex the company's operations are further backward integrated upto blast furnace and sintering, while simultaneously expanding the overall production capacity of TMT bars from 100,000 tpa previously to 550,000 tpa. Integrated nature of operations allows for greater control over costs as well as quality, while the enhanced capacity is expected to benefit JRIL by way of scale economies. As compared with TMT bar producers in the unorganised segment, JRIL, which already displayed higher EBITDA margins, is expected to benefit further by way of cost savings of around Rs.2000/ton (due to primary steel production from iron ore fines using blast furnace) using thereby further improving its profitability.

Substantial increase in scale and profitability going forward

The operating revenue of the company declined from Rs 959.08 crore in FY23 to Rs. 859.40 crore in FY 24, due to lower steel realisations in FY 24, though the quantity of TMT bars increased from 1,21,286 MT in FY23 to 1,28,303 MT in FY 24. However, revenue is expected to improve to over Rs 1500 crore in FY 25, mainly on account of revenue generated from existing capacity (100,000 TPA) as well as from new capacity of 450,000 MTPA. Despite decline in the TOI, the EBITDA margin was maintained at 8.26% in FY24 compared with 8.35% in FY23. PAT margin of the company increased to 6.69% in FY24 as against 5.72% in FY23, mainly on account of reduction in the interest expense due to capitalisation of interest on unsecured loans invested in the project. The cost savings from backward integration are expected to sustain EBITDA margins are substantially higher levels, while the enhanced capacity is likely to enable the scaling up of revenues to over Rs.2500 crores in FY26.

Key Rating Weaknesses

Cost escalation along with delays in capex implementation

The company was undertaking capex to the tune of Rs. 751.41 Cr. towards setting-up Integrated Steel Plant with installed capacity of 0.3 million MTPA at Guttapudu, Orvakal Mandal, Dist. Kurnool, Andhra Pradesh for manufacturing of high-quality TMT Rebars through Blast Furnace Route. However, with the change in scope of the capex with project configuration revised to 0.45 million TPA, the project cost was revised from Rs. 751.49 Cr. to Rs. 1,515 Cr and again to Rs 1811.28 Cr. The DCCO of the project was revised from Oct-2023 to March-2024 which was further revised to Oct 2024. As on October 2024, the company has incurred project cost to the tune of Rs. 1739 Cr.The project achieved COD as on 21st October 2024, and the company expects fast ramp up in capacity utilization considering the inherently strong demand for TMT bars in its key markets of Telangana and Andhra Pradesh.

Intense competition from the unorganized sector

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, , thereby limiting the bargaining power vis-à-vis the customers.

Cyclical nature of the industry

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 Approach

Applicable Criteria:

Criteria on assigning rating outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

[Policy on Default Recognition and Post-Default Curing Period]

[Complexity Level of Rated Instruments/Facilities]

Liquidity – Adequate

The company has a current ratio of 2.41x in FY24 and its average cash credit utilization during last 12 months ended 30th September 2024 is ~63% reflecting a healthy liquidity position. Owing to the healthy profitability and cash accruals, the coverage ratios are expected to be comfortable. The cash accrual expected to be in line of Rs 136 crore to Rs 440 crore for FY25-FY27 against debt repayments in range of Rs 0.07 crore to Rs 149 crore.

About the Company

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. The company was undertaking capex towards setting-up Integrated Steel Plant with installed capacity of 4,50,000 MTPA at Guttapudu, Orvakal Mandal, Dist. Kurnool, Andhra Pradesh for manufacturing of high-quality TMT Rebars through Blast Furnace Route. The DCCO of the project was achieved in October 2024.JRIL primarily markets its products under the brand 'Jai Raj'.

Financials (Standalone):

INR in Crore

For the year ended/ As on*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	959.08	859.40
EBITDA	80.06	70.96
PAT	55.61	58.49
Total Debt	465.12	855.93
Tangible Net worth	471.36	622.79
EBITDA Margin (%)	8.35	8.26
PAT Margin (%)	5.72	6.69
Overall Gearing Ratio (x)	0.99	1.37
Interest Coverage(x)	5.69	8.43

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: The rating continues to be Issuer Not Co-operating by Brickworks Ratings vide Press release dated November 09, 2022. The reason provided by Brickworks Ratings was non-furnishing of information for monitoring of the rating.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Ratings	Previous Ratings	Date(s) & Rating(s) assigned in 2023-24 (Dec 27,2023)	Date(s) & Rating(s) assigned in 2022-23 (Nov. 15, 2022) & (June 07, 2023)	Date(s) & Rating(s) assigned in 2021-22
PR					27-Nov-2024			
1.	Term Loan	Long-term	1000.00	IVR A-/ RWDI	IVR A-/ RWDI	IVR A-/ Stable	IVR A-/ Stable	--
2.	Cash Credit	Long-term	375.00	IVR A-/ RWDI	IVR A-/ RWDI	IVR A-/ Stable	IVR A-/ Stable	--
3.	Letter of Credit	Short-term	5.00	IVR A2+	IVR A2+	IVR A2+	IVR A2+	--
4.	Bank Guarantee	Short-term	5.00	IVR A2+	IVR A2+	IVR A2+	IVR A2+	--

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Ratings	Previous Ratings	Date(s) & Rating(s) assigned in 2023-24 (Dec 27,2023)	Date(s) & Rating(s) assigned in 2022-23 (Nov. 15, 2022) & (June 07, 2023)	Date(s) & Rating(s) assigned in 2021-22
5.	Forward Contract	Short-term	0.17	IVR A2+	IVR A2+	IVR A2+	IVR A2+	--
6	Proposed Cash Credit	Long-term	18	IVR A-/ RWDI	IVR A-/ RWDI	-	-	-
7	Proposed Term Loan	Long-term	92	IVR A-/ RWDI	IVR A-/ RWDI	-	-	-
8	NCD	Long-term	25	IVR A-/ RWDI	-	-	-	-
9	Proposed NCD's	Long-term	75	IVR A-/ RWDI	--	-	--	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	ISIN number	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-		-	March-2033	300.00	IVR A-/ RWDI
Term Loan	-		-	March-2033	200.00	IVR A-/ RWDI
Term Loan	-		-	June-2033	200.00	IVR A-/ RWDI
Term Loan	-		-	June-2033	200.00	IVR A-/ RWDI
Term Loan	-		-	June-2033	100.00	IVR A-/ RWDI
Cash Credit	-		-	-	375.00	IVR A-/ RWDI
Letter of Credit	-		-	-	5.00	IVR A2+
Bank Guarantee	-		-	-	5.00	IVR A2+
Forward Contract	-		-	-	0.17	IVR A2+
Proposed Cash Credit	-		-	-	18.00	IVR A-/ RWDI
Proposed Term Loan	-		-	-	92.00	IVR A-/ RWDI
NCD's	24th January 2025	INE0DL Y07018	12% PA	Principal repayment in 1 Trance - July 24,2026	25.00	IVR A-/ RWDI
Proposed NCD's	-	-	-	-	75.00	IVR A-/ RWDI

Synopsis of the NCD's Term Sheet

Issuer	Jai Raj Ispat Limited ("JRIL")
Promoters	Mr. Sajjan Kumar Goenka, Mrs. Rajshree Jain and Mrs. Jaishree Goenka
Corporate Guarantors	Nirmala Goenka Estates Private Limited and Sreeram Plywood Mfg. Co Private Limited
Trustee	Catalyst Trusteeship Limited
Legal Counsels	Juris Corp
Registrar and Transfer Agent	Maheshwari Datamatics Pvt Ltd
Amount	Rs. 100 crore in one or more tranches
Face value	INR 10,00,000 (Ten Lakhs) only
Issue price	At par; INR 10,00,000 (Ten Lakhs) only
Issue schedule	Tranche 1 :Issue Open Date : January 24, 2025,Issue Close Date : January 24, 2025, Pay-in Date : January 24, 2025, Deemed Date of Allotment : January 24, 2025 Subsequent Tranches : At the discretion of the investor
Instrument	Secured, Unlisted, Rated, Non-Convertible Debentures
Seniority	Senior
End use	• Reimbursement of capex • General corporate purposes
Tenor	18 months from the date of deemed allotment
Repayment	• Interest shall be paid monthly • Principal shall be repayable on maturity
Interest	12% p.a. payable monthly on the last day of every month
Maturity date	Tranche 1 : July 24, 2026 Subsequent Tranches : At the discretion of the investor
Step Up/Step Down Coupon Rate	In the event, credit rating of the Debentures is downgraded ("Rating") and/or the credit rating of the Company is downgraded from the current rating of "A-" ("Company Rating") at any point of time during the tenor of the Debentures, the Coupon rate shall increase by 0.25% (zero decimal twenty-five percent) for each notch downgrade of 1 (one) notch from the rating of the Debentures and/or Company ("Step Up Rate"). Such increased rate of interest shall be applicable from the date of such downgrade ("Step Up"). Following the Step Up until the rating of the Debentures and/or Company is restored to the Rating and/or the Company Rating (as the case may be), if the rating of the Debentures and/or the Company is upgraded, the prevailing Step Up Rate shall

	be decreased by 0.25% (zero decimal twenty-five percent) for each upgrade of 1 (one) notch from the rating of the Debentures and/or the Company (until the rating of the Debentures and/or the Company is restored to the Rating and/or the Company Rating (as the case may be)) and such decreased rate of interest shall be applicable from the date of such upgrade. PROVIDED THAT the decreased rate of interest in accordance with this provision cannot, in any case, be lower than the coupon rate. It is clarified that, if following the Step Up, the rating of the Debentures and/or the Company is restored to the Rating and/or the Company Rating (as the case may be), then the interest shall be payable at the coupon rate, from the date that the relevant rating is restored.
Accelerated/ Mandatory Early Redemption	Subject to Applicable Law, upon a 2 notches downgrade in the Rating or the Company Rating, and if required by the Debenture Holders (by way of consent of Majority Debenture Holders), the Issuer shall redeem the outstanding Debentures in full together with accrued interest, and all other amounts accrued thereto without any premature redemption penalty whereupon such demand being made, all such outstanding amounts will become due and payable after 30 days.

*Out of 100 crores total NCD, term sheet is there for complete Rs 100 crore NCD, But Debenture trustee deed is there for Rs 65 crore which issued in 2 tranches of Rs 25 crore and Rs 40 crore, Rs 25 crore trance issued on 24th Jan 2025 and rest Rs 40 crore yet to be issued. Remaining Rs 35 crore debenture trust deed is yet to be made.

Annexure 2: Facility wise lenders details:
https://www.infomerics.com/admin/prfiles/len-jairaj-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

Information covenants-

- Monthly progress report from the Kurnool project – to cover capacity utilization, RM processed in MT, Finished goods in MT, Sales from the plant and inventory levels at the plant.
- Quarterly MIS that covers P&L, working capital and outstanding borrowings

Financial covenants-

- The company should report revenue of Rs. 375 crore in Q4 of FY2025.
- Quarterly revenue was more than Rs. 450 crore from Q1 of FY2026 to be measured quarterly.
- Total term obligations (Term loans and NCDs) of the Issuer to be capped at Rs. 1,200 crore.

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

Press Release

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.