

RATING RATIONALE

4 Aug 2020

JAJOO EXPORTS

Brickwork Ratings reaffirms the Long Term & the Short Term Rating for the Bank Loan Facilities of ₹ 10.00 Crores of Jajoo Exports “the firm”

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2018)	Present
Fund Based	8.50	8.50	Long Term	BWR BB Stable (Assigned)	BWR BB Stable (Reaffirmed)
Non Fund Based	2.00	2.00	Short Term	BWR A4+ (Assigned)	BWR A4+ (Reaffirmed)
Overall Ceiling Total	10.00	10.00	INR Ten Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR reaffirms the Long Term Rating assigned to Jajoo Exports as BWR BB with Stable Outlook and the Short Term Rating as BWR A4+.

The rating draws strength from the rich experience of the management of the firm in the refractory business and moderate financial risk profile. The rating of the firm is constrained by the stagnant sales of the firm, competition in the industry and constitution of the firm.

BWR believes that the business risk profile of “Jajoo Exports” will be maintained over the medium term. The Stable outlook indicates a low likelihood of rating change over the medium term. The Rating outlook may be revised to “Positive” in case there is significant improvement in revenues, profit margins of the firm. The rating outlook may be revised to “Negative” if there is any deterioration in the financial risk profile of the firm.



KEY RATING DRIVERS

Credit Strengths:

- **Experience of the management:** The proprietor of the company Mr. Sudhir Jajoo has about three decades of experience in the metals refractory industry and the firm has long term business associations with its clients, both suppliers and customers.
- **Moderate Financial Risk profile:** The financial risk profile of the firm is at a moderate level as the Debt Equity ratio (Total Debt/TNW) is at 0.48x in FY19 (Audited) and the debt protection metrics including ISCR being at 3.55x and DSCR being at 1.70x in FY19 (Audited). The current ratio of the firm is at 1.40x in FY19 (Audited).

Credit risks:

- **Stagnant Sales:** The revenues of the firm have declined in FY19 (Audited) being at INR 59.00 Crores vis-a-vis INR 60.82 Crores in FY18 (Audited).
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability. Industry has unorganised players unseen competition.
- **Constitution of the firm:** Withdrawal of capital by the proprietor for any personal contingency would adversely affect the capital structure of the firm.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the Firm to improve its revenues would remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues and profit margins of the firm.

Negative: Rating may be downgraded in case there is deterioration in financial risk profile of the firm.

LIQUIDITY POSITION (Adequate)

The company has Cash & Bank balances of Rs. 0.20 Crs in FY19 (Audited). Long Term Borrowings of INR 1.92 Crores in FY19 (Audited) includes Loans from Friends/Family of INR 1.39 Crores and Vehicle loan from various Banks of INR 0.52 Crores. Average Packing Credit



utilization of the last 6 months comes out to be ~75.38%. The current ratio is 1.40x in FY19 (Audited). ISCR and DSCR are at 3.55x and 1.70x respectively in FY19 (Audited). Conversion cycle is of 40 days in FY19 (Audited).

Holding/Subsidiary Company: NA

COMPANY PROFILE

Jaipur-based (Rajasthan) Jajoo Exports (JE) was established in 1997 as a proprietorship concern by Mr Sudhir Jaju. JE belongs to Jajoo Chemical Group having business interests in trading and manufacturing of ramming mass and different grades of Ferro alloys through Jajoo Exim Private Limited and Jajoo Rashmi Refractories Private Limited. JE is primarily engaged in the business of manufacturing Ferro alloys (used in steel industry as de-oxidant and alloying agent) and ramming mass from its sole manufacturing facility located at Jaipur (Rajasthan). The firm majorly caters to the African, Middle East & Asian countries such as Saudi Arabia, Ethopia, Oman, Aqaba, Pakistan, Jordan, Uganda etc.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Total Operating Income	Crores	59.00	60.82
EBITDA	Crores	3.01	2.74
PAT	Crores	1.09	1.28
Tangible Networth	Crores	10.56	9.76
Total Debt/TNW	Times	0.48	1.58
Current Ratio	Times	1.40	1.27

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: None

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	8.50	BWR BB Stable (Reaffirmed)	--	BWR BB Stable (Assigned)	--
Non Fund Based	Short Term	2.00	BWR A4+ (Reaffirmed)	--	BWR A4+ (Assigned)	
Ceiling Total	10.00		INR Ten Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to financial ratios

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Jajoo Exports

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Fund Based & Non Fund Based	8.50	2.00	10.00
OVERALL CEILING TOTAL					10.00

Total Rupees Ten Crores only.

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