



Rating Rationale

Jagdish Ispat Private Limited

November 16, 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 9.52 Crs of Jagdish Ispat Private Limited or “(JIPL or the Company)”.

Particulars

Facility Rated	Rating Amount (Rs. Crs)	Tenure	Rating Assigned [^]
Term Loan* (Fund Based)	1.77	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Cash Credit (Fund Based)	7.75		
Total	Rs. 9.52 Crores (INR Nine Crores and Fifty Two Lakhs Only)		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

* Term loan outstanding as on 9th November, 2017 has been considered for the rating.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, projected financials of **Jagdish Ispat Private Limited** up to FY19, publicly available information and information/clarifications provided by the company’s management.

The rating draws strength from the experience of the promoters in the steel industry, upgradation of technology, strategic locational advantage proximity to the raw materials, reasonable capital structure, and moderate liquidity and successfully started the commercial operation of rolling mill project with stipulated time frame. However, the rating is constrained by low revenue levels, stretched capital structure, dependence for raw materials on Sponge Iron & Pellet Plants resulting in margin constraints during peak recession, volatility in the raw materials & fuel prices and high competition from existing companies in the region.

Going forward, the ability of the company to achieve projected revenues and profitability margins and improve the capital structure would be the key rating sensitivities.



Key Rating Drivers:

Strengths

Experienced doctors:

Jagdish Ispat Private Limited has experienced management in the steel industry which has helped build relationships with suppliers and customers.

Reasonable capital structure: JIPL has a reasonable capital structure as reflected by debt to equity ratio of 0.99 times and adjusted DE ratio of 0.66 times as on 31st March, FY17. It provides a financial flexibility to the company.

Interaction of new products and technological advancement: The company has upgraded the Induction Furnace Plants to Concast Plant which will manufacture M.S. Billets instead of M.S. Ingots. It has an installed capacity of 31,000 MTPA. Further the company has established a 13” rolling mill which produces Iron & Steel Structures such as M.S. Angle, M.S. Channel, M.S. Joist, M.S. Beam etc and it has an installed capacity of 29500 MTPA.

Weaknesses

Decline in revenues:

Net revenue of the company is falling continuously from past 04 financials years due decreased demand of the product.

Raw material prices fluctuations: Dependence for raw materials on Sponge Iron & Pellet Plants resulting in margin constraints during peak recession with continuous fluctuations in the raw material prices.

Rating Outlook: Stable

BWR believes that **Jagdish Ispat Private Limited’s** business risk profile 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 the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Jagdish Ispat Private Limited is a Private Limited company incorporated on 27 November 2007 in Raipur, Chhattisgarh. The company is involved into manufacturing of various Iron & Steel



Products. Brij Narayan Singh, Subhash Singh, Vidya Devi, Jagdish Singh and Shree Ram Singh are the promoters of the company.

The company was having two Induction Furnace plants having annual capacity of 24000 M.T. The company has upgraded the Induction Furnace Plants to Concast Plant which will manufacture M.S. Billets instead of M.S. Ingots produced. Further the company has established a 13” rolling mill which produces Iron & Steel Structures such as M.S. Angle, M.S. Channel, M.S. Joist, M.S. Beam etc. The company has commenced its commercial operation from April 2017 as per scheduled timeline (October, 2016 to April, 2017). The plant is located at Raipur in the State capital of Chhattisgarh. All the production units are equipped with latest machineries ensuring maximum efficiency with lowest cost of production.

Company Financial Performance

Particulars	Unit	2017 (Audited)	2016 (Audited)
Revenue	Rs. Cr.	22.31	31.41
Profit After Tax	Rs. Cr.	0.05	0.14
PAT Margins	%	0.23	0.44
Adjusted Debt/Adjusted Net worth	Times	1.39	0.99
Interest coverage	Times	7.76	4.03

Net revenue of the company has decreased substantially from Rs. 31.41 Crs in FY16 to Rs. 22.31 Crs in FY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

Instrument/ Facility	Current Rating (Year 2017)			Rating History		
	Type (Long Term/Short Term)	Amount (Rs Crs)	Rating Assigned	2016	2015	2014
Fund Based	Long Term	9.52	BWR BB- (Stable)	Nil	Nil	Nil
				Nil	Nil	Nil
Total		Rs. 9.52 Crs (INR Nine Crores and Fifty Two Lakhs Only)				

Hyperlink/Reference to Applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Company](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Ms. Vipula Sharma Deputy General Manager	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.