

May 27, 2025

## Janki Corp Limited: Ratings reaffirmed and assigned for the enhanced amount

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	48.90	145.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term – Fund Based – Term Loan	150.00	175.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Short term – Non Fund Based Limits – LC	-	30.00	[ICRA]A2+; assigned
Short-term – Unallocated	51.10	-	-
<b>Total</b>	<b>250.00</b>	<b>350.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings reaffirmation considers Janki Corp Limited's (JCL) established presence and significant experience of the promoters in the steel and textile businesses along with favourable location of the plants in close proximity to raw material sources and target markets. The ratings also draw comfort from the cost competitiveness emanating from the captive waste heat recovery boiler (WHRB)-based power plant, iron ore beneficiation and pellet manufacturing facilities, which supports the operating profile of the entity. ICRA notes that the company's operating income and operating margin moderated in FY2025, after a significant improvement witnessed in FY2024. The same was primarily led by lower sales volumes triggered by maintenance shutdowns as well as subdued realisation during the previous fiscal. Also, the addition of term loan for the project capital expenditure resulted in higher total Debt/OPBDITA (TD/OPBDITA) of ~2.2 times compared to around 0.2 times in FY2024. The performance, however, is expected to witness an improvement in the current fiscal, with the expected commissioning of the new DRI kilns as well as WHRB based power plant, resulting in a significant increase in power sales along with higher sales volume of sponge iron. Accordingly, the leverage and coverage indicators are also likely to improve in the current fiscal. Nonetheless, the timely commissioning and ramp-up of the new capacities as per stated operating parameters remains the key rating sensitivity. The liquidity position is also comfortable with average utilisation under ~50% for the last twelve months ending in April 2025.

The ratings, however, remain constrained by the company's exposure to the inherent cyclicity in the steel industry, which keeps its profits and cash flows volatile. While the company's margins remain susceptible to the volatility in raw material prices and foreign exchange rates, the ratings are impacted by the highly commoditised and fragmented nature of the secondary steel industry, resulting in intense competition, limiting the company's pricing flexibility and restricting the scope for an improvement in profitability. ICRA also notes that even if the performance of the steel division remains exposed to volatility in the market, stable operations in the textile division, though at a significantly smaller scale, is expected to support the entity's performance in case of a market downturn. The ratings also notes the company's exposure to regulatory risks as any unfavourable change in the Government policy may impact its raw material availability and prices, as witnessed in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that JCL is likely to improve its profitability and debt coverage indicators, primarily led by increased capacities.

## Key rating drivers and their description

### Credit strengths

**Expected improvement in FY2026 with the commissioning of the expanded capacities** – JCL has set up new sponge iron capacity of ~2,10,000 MTPA and power plant of 35 MW, which is likely to be commissioned in the next 2 months. Once operationalised, the same is likely to increase the power sales and higher sales volume of sponge iron, resulting in a likely increase in operating profits for the current fiscal. Accordingly, the leverage and coverage indicators are also likely to improve in the current fiscal. Nonetheless, the timely commissioning and ramp-up of the new capacities as per stated operating parameters remains the key rating sensitivity.

**Favourable location of the plants ensures easy access to raw materials** – The company's steel plant is located in Bellary, Karnataka, which is known for its iron ore deposits. The company procures iron ore primarily from the local miners and traders based out of Bellary, all of which are located near the company's plant. The proximity of the company's plant to suppliers ensures smooth access to raw materials and helps in better inventory management. Further, iron-ore beneficiation and pellet manufacturing facilities provide comfort to the company in terms of cost competitiveness. Additionally, the textile processing unit of the company is located at Bhilwara, Rajasthan, a major textile hub, and provides regular conversion business to the company.

**Extensive experience of the promoters** – The promoters of the company, Mr. Raghunath Mittal and Mr. Rahul Mittal, have extensive experience in textile and steel businesses, which helped the company establish healthy relationships with customers and suppliers. The company has been involved with textile processing and steel manufacturing businesses since 1993 and 2005, respectively. At present, the company has a textile processing unit with a capacity of 720 lakh metre per annum, which is mainly involved in conversion business. The plant, located at Bellary in Karnataka, houses manufacturing units of sponge iron, pellet, iron ore fines beneficiation and power with an annual capacity of 6,00,000 MTPA, 1,80,000 MTPA, 6,00,000 MTPA and 18.5 MW, respectively. Post commissioning of the enhanced capacity, the effective sponge iron and power generation capacity of JCL will increase to 3,90,000 MTPA and 50 MW respectively.

### Credit challenges

**Moderation in earnings in FY2025**– JCL reported revenues of Rs. 996 crore in FY2025, reflecting a ~19% YoY decline. This was on account of weaker realisations in both the steel and textile division. The volumes also remained lower triggered by maintenance shutdowns of 1.5 to 2 months taken in the pellet manufacturing and captive power generation plants. The same impacted the earnings, with an estimated OPBDITA of ~Rs. 135 crore in FY2025 vis-à-vis ~Rs. 280 crore reported in the previous fiscal. Also, the addition of term loan for the project capital expenditure resulted in higher total Debt/OPBDITA (TD/OPBDITA) of ~2.2 times compared to ~0.2 times in FY2024. Nonetheless, with the commissioning of the new capacities in the current fiscal, the performance is expected to improve in FY2026.

**Exposed to volatility in profits, given the cyclicity inherent in the steel industry** – The steel industry is characterised by its inherent cyclicity. This is likely to keep the profitability and cash flows of all the players in the industry, including JCL, volatile going forward as well. The company's operations are also vulnerable to any adverse change in the demand-supply dynamics in the end-user industries such as infrastructure, real estate, among others. Further, in case of any adverse change in the contribution margins, the company's cash accruals could be under pressure, which would necessitate requirement of working capital limits to fund its inventory. The company's profit margins remain susceptible to volatility in major raw material prices such as iron ore and non-coking coal.

**Highly commoditised and fragmented nature of secondary steel industry** – The company operates mainly in sponge iron industry without any backward and forward integration, which is a highly commoditised industry with raw material and power cost accounting for around 65-70% of the revenues. The secondary steel industry is characterised by intense competition arising from low product differentiation and entry barriers. The highly commoditised and fragmented nature of the secondary

steel industry results in intense competition and limits the pricing flexibility, which ultimately restricts the scope for an improvement in profitability.

**Exposed to regulatory risks** – JCL, like other sponge iron and pellet manufacturers, remains exposed to regulatory risks as any unfavourable change in the Government policy may impact its raw material availability and prices.

### Liquidity Position – Adequate

JCL's liquidity position is expected to remain adequate, supported by its healthy cash flow from operations of ~Rs. 30 crore in FY2025. The company's cash flows from operation are likely to remain healthy in FY2026, with the expected commissioning of the enhanced capacities. In addition, the repayment obligations remains comfortable in FY2026 at ~Rs. 10.6 crore. Although the obligation is expected to increase in FY2027, healthy cash flows along with buffer in working capital limits is expected to provide comfort to the liquidity.

### Rating sensitivities

**Positive factors** - ICRA could upgrade JCL's ratings if the company can significantly increase its revenue and profitability with the stabilisation and ramp up of operations from its new capacities along with comfortable liquidity and debt protection metrics on a sustained basis.

**Negative factors** - ICRA could downgrade the ratings if there is a significant decline in revenues, resulting in low operating profits and weak liquidity position. Significant debt funded capex, adversely impacting the coverage indicators and liquidity could also result in ratings downgrade. Specific credit metric that might trigger ratings downgrade include Total Debt/OPBIDTA of more than 2.3 times as on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Iron &amp; Steel</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

### About the company

Incorporated in September 1993, Janki Corp Limited is promoted by the Rajasthan-based Mittal family. Initially, the company established a textile processing unit at Bhilwara in Rajasthan with current capacity of 720 lakh metre per annum. In 2005, the company commissioned a sponge iron manufacturing unit at Bellary in Karnataka with a capacity of 1,80,000 MTPA. The company commissioned a waste heat recovery boiler (WHRB)-based 15 MW power plant in 2010, which was upgraded to 18.5 MW in 2015. The company also has a pellet manufacturing plant with a capacity of 6,00,000 TPA and an iron ore fines beneficiation plant with an annual capacity of 6,00,000 TPA, which were commissioned in 2011 and 2013, respectively. Currently, the company is in the final phase of a capex which will take the overall sponge iron and captive power capacity to 3,90,000 MTPA and 50 MW respectively. Over the last couple of years, the company has primarily been a steel manufacturer with revenue contribution of around 90% from the steel division.

## Key financial indicators (audited)

	FY2023	FY2024
Operating income	1,103.3	1,230.9
PAT	126.3	187.1
OPBDIT/OI	18.6%	22.7%
PAT/OI	11.4%	15.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.1	0.2
Interest coverage (times)	200.8	69.3

PAT: Profit after Tax; OPBDITA: Operating profit before depreciation, interest, taxes and Amortisation; Amount in Rs. crore

Source: Company; ICRA Research

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	May 27, 2025			FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash Credit	Long Term	145.00	[ICRA]A-(Stable)	-	-	12-March-24 13-Feb-24	[ICRA]A-(Stable)	22-Feb-23	[ICRA]BBB+(Stable)
Fund Based – Term Loan	Long Term	175.00	[ICRA]A-(Stable)	-	-	12-March-24 13-Feb-24	[ICRA]A-(Stable)	22-Feb-23	[ICRA]BBB+(Stable)
Non Fund Based Limits – LC	Short Term	30.00	[ICRA]A2+	-	-	-	-	-	-
Unallocated Limits	Short Term	-	-	-	-	12-March-24 13-Feb-24	[ICRA]A2+	22-Feb-23	[ICRA]A2

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term – Fund Based – Term Loan	Simple
Short term - Non Fund Based Limits – LC	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Cash Credit	NA	NA	NA	145.00	[ICRA]A- (Stable)
NA	Long-term – Fund Based – Term Loan	FY2024	NA	FY2033	175.00	[ICRA]A- (Stable)
NA	Short term - Non Fund Based Limits – LC	NA	NA	NA	30.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure-II: List of entities considered for consolidated analysis: Not Applicable

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## ICRA Limited

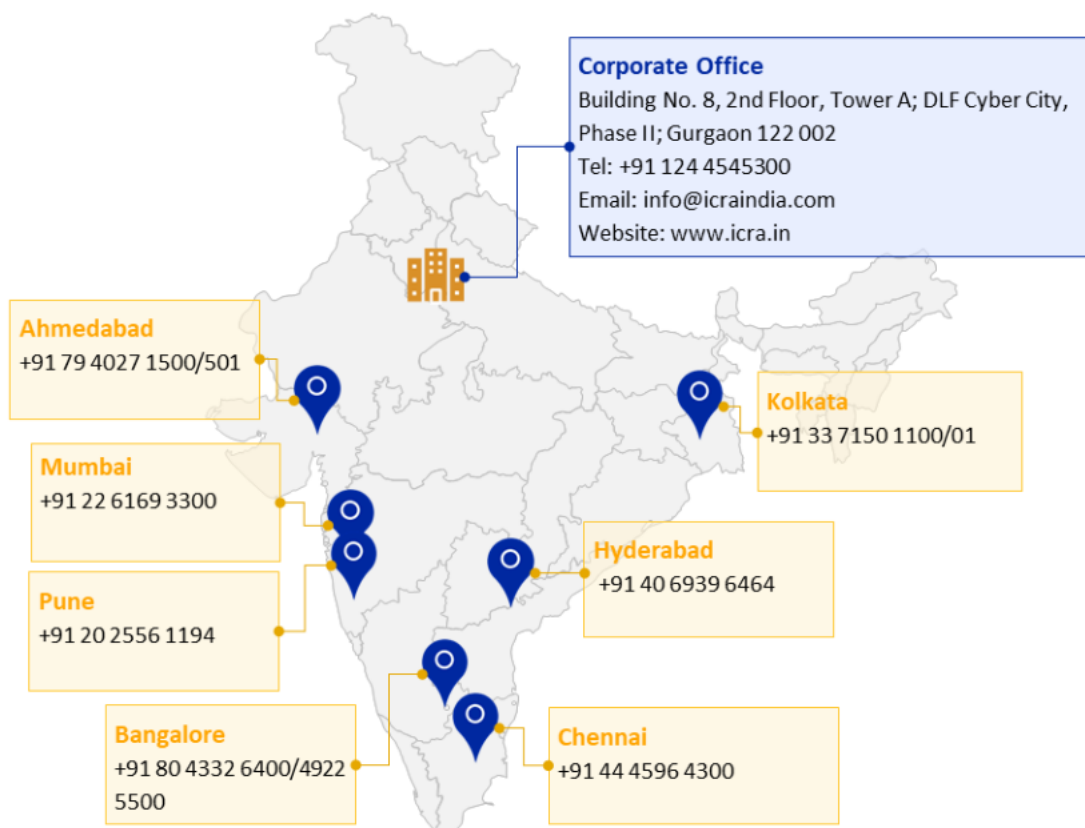


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