



Jai Raj Ispat Limited

Instrument	Amount Rated	Amount Outstanding as on September 30, 2010	Rating	
	In Rs Crore	In Rs Crore	As in December 2010	As in August 2009
Term loan (Reduced from Rs 38.93 crore)	32.40	32.40	LBBB-(stable)	LBBB-
Fund based facility- Cash Credit	10.00	10.17	LBBB-(stable)	LBBB-
Non fund based facility	9.00	NA	A3	A3

ICRA has reaffirmed the rating to the Rs 10.00 crore¹ long term fund-based bank facility and the Rs. 32.40 crore term loan facility of Jai Raj Ispat Limited (JRIL) at **LBBB-** (pronounced L triple B minus). The outlook on the long term rating is stable. ICRA has also reaffirmed the short-term rating assigned to the Rs 9.00 crore non-fund based bank facility of JRIL at **A3** (pronounced A three)[†].

ICRA also has withdrawn the rating outstanding for the Rs 2.00 crore short term bank facility of JRIL, at the request of the company, as the facility is closed and there is no amount outstanding against the rated instrument.

The re-affirmed ratings factor in the successful commissioning of JRIL's sponge iron unit in Bellary leading to a partially integrated nature of operations, improving the overall cost structure and also acting as an additional source of income. The ratings factor in JRIL's long standing presence in the steel industry, its established brand name in the thermo mechanically treated (TMT) market in Andhra Pradesh and proximity of its new sponge iron unit to the iron ore mines in Karnataka, thus reducing raw material freight costs. The ratings take into account the highly fragmented nature of the TMT market leading to intense competition and therefore pressures on operating profitability of players including JRIL, cyclical nature inherent in the steel industry; JRIL's deteriorating capital structure and high working capital intensity in its operations. ICRA notes that during 2009-10, the operating profit of the company was largely supported by the commission based income, which is likely to be inherently variable in nature. The significant long term bank loans along with interest bearing unsecured loans from the promoters that were contracted by JRIL for implementing its sponge iron unit resulted in a moderately aggressive capital structure and depressed level of coverage indicators. However, the long term nature of these unsecured loans, with extended maturity provides some cushion to the company's liquidity position. ICRA further takes note of the various expansion plans of JRIL, which are likely to be partly debt funded. The same could expose the company to project risks and exert pressure on its capital structure and liquidity position. However, the projects envisaged are still at very nascent stages. ICRA would evaluate the impact of the same on the company's overall business risk profile when the details and funding pattern are available.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

¹100 lakh = 1 crore = 10 million



Company Profile

Incorporated in 1984, JRIL, with its manufacturing unit in Hyderabad, Andhra Pradesh, commenced operations for producing mild steel ingots through the induction furnace route in 1985. In 1990, the company leased a re-rolling mill to produce cold twisted deformed (CTD) bars, which it operated till the installation of its own rolling mill in 1996. The company upgraded its induction furnace and rolling mill in 2003 and 2006 respectively, augmenting the capacity of rolling mill from 60,000 T to the current level of 1,00,000 T. The company fully commissioned its sponge iron unit of capacity 75,000 T per annum in July 2010. The sponge iron produced is largely used for captive consumption. JRIL sells its final product i.e. TMT bars under the brand “Jai Raj TMT” largely to regional customers

Recent Results

During 2009-10, JRIL reported a net profit of Rs 2.05 crore on an operating income of Rs 166.99 crore. During 2008-09, the company reported a net profit of Rs 1.85 crore on an operating income of Rs 189.19 crore.

December 2010

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