

Jai Ambey Wire Private Limited

September 14, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.00 (₹ Seven Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has placed the rating(s) of Jai Ambey Wire Private Limited (JAWPL) under the 'issuer non-cooperating' category as JAWPL has failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. JAWPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated May 17, 2022, August 31, 2022, and September 05, 2022.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of lack of adequate information and uncertainty around the credit risk profile of the company. The rating continues to remain constrained by relatively Modest scale of operations with low profit margins, Volatility in raw material prices, Competitive pressure due to presence in highly fragmented metal wire industry. The rating, however, derives comfort from long experienced promoters along with long track record of operation, and Satisfactory capital structure and debt coverage indicators.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations with low profit margins

The scale of operations of the group is moderate as evident from combined TOI of Rs. 306 cr. in FY21 as against combined TOI of Rs.188 cr. in FY20. Group PBILDT & PAT margin remained low at 2.30% and 0.75% for FY21 as against 2.00% and -0.70% for FY20 respectively. Reduction in PBILDT margin in FY21 was due to high proportion of low margin traded sales in FY21 as against FY20 and on account of increasing competition. The group has reported GCA of Rs.0.14 cr. in FY21 as against negligible repayment obligations.

Volatility in raw material prices

Jai Ambey Wire Private Limited (JAWPL) purchased around 80% its basic raw material of Mild Steel Round and HB wires from its group entity JAWEPL. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in the raw material prices. The company purchases most of its products

locally and around 70% of the sales made outside Chhattisgarh. Competitive pressure due to presence in highly fragmented metal wire industry the metal wires industry is highly fragmented and competitive in nature due to low barriers to entry. Furthermore, all the entities are manufacturing the same products with little product differentiation resulting into price driven sales. Intense competition restricts the pricing flexibility of the company in the bulk customer segment.

Key Rating Strengths

Satisfactory track record of operations with experienced promoters

JAWPL is into manufacturing of metal wires since 2009 and thus has more than a decade of track record of operations. Mr. Prashant Kumar Dubey (Director) who has more than a decade of experience in this line of business and managing the company under the guidance of his father Mr. Arvind Kumar Dubey. JAWEPL is managed by promoter-director, Mr. Arvind Kumar Dubey who has about two decades of experience in iron and steel industry.

Satisfactory capital structure and debt coverage indicators

The group does not have any term debt and debt is mainly marked by working capital borrowings. The capital structure of the group remained highly satisfactory, marked by overall gearing of 0.38x as on Mar'21 as against 0.18x as on Mar'20 and Debt equity ratio of 0.02x as on Mar'21. Deterioration in gearing ratio was due to high cash credit utilisation on Mar 31, 2021 as JAWPL has availed the additional CC limit of Rs.4.00 cr. backed by 100% FD margin. Although CC utilisation was high as on March 31, 2021 as compared to March 31, 2020, interest cost was low as average cash credit utilisation remained low throughout the year. Accordingly, interest coverage ratio improved from 5.74x in FY20 to 11.04x in FY21.

Liquidity: Adequate

The liquidity position of the group is adequate as evident from the average of maximum utilization of its fund based working capital limit which stood low at ~20% during the past twelve months ended April 2021 and ~28% during the past twelve months ended April 2021 for JAWPL and JAWEPL respectively. This apart JAWPL has also availed additional cash credit limit of Rs.4.00 cr. backed by 100% FD margin. Group does not have any major term repayment obligation apart from car loan of Rs.0.06 cr. outstanding as on Mar 31, 2021. Further it has not availed any moratorium benefits under the RBI's COVID-19 regulatory package.

The company generally provides a credit period of 15-20 days to its customers and maintain total inventory of around 15-20 days. Further, its purchases are mostly against down payment leading to low creditor's days. Thus, operating cycle of the company remained comfortable at 7 days as on March 31, 2021.

Analytical approach: Combined.

The combined approach is considered as both the entities are closely-held entities with significant ownership and control by a common promoter family, they exhibit cash flow fungibility and operational linkages {as JAWEPL derived ~80% of its revenue from JAWPL in FY21 (91% in FY20)} and both the entities operate in similar/related lines of business.

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology - Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Jai Ambey Wire Private Limited (JAWPL) was initially set up as a proprietorship entity in the name of Jai Ambey Steel & Wires in June 2009 by Raipur based Mr. Arvind Kumar Dubey. However, it was reconstituted as private limited company with effect from May, 2011 and the name of the entity changed to the current one. JAWPL is engaged in manufacturing of metal wires like HB wires (installed capacity 52,000 MTPA), GI wires (installed capacity 40,000 MTPA) and other wires like barbed wires and binding wires, etc. (installed capacity 8,000 MTPA). The manufacturing unit of the company is located at Rawa Bhata Industrial Area, Raipur in Chhattisgarh.

Jai Ambey Wire EX-IM Private Ltd is a group company of JAWPL (rated CARE BB+; Stable) was incorporated in February 2014 by the Dubey family of Raipur, Chhattisgarh and is engaged in trading of iron and steel products like mild steel round, TMT bars, hard bright (HB) wires, galvanized iron (GI) wires etc. JAWEPL derives majority of its sales from JAWPL. The overall management of the JAWEPL is looked after by Mr Arvind Kumar Dubey (Promoter-Director).

Brief Financials (₹ crore)	March 31, 2020 (U/A)	March 31, 2021 (U/A)
Total operating income	188.57	305.78
PBILDT	2.30	2.00
PAT	0.75	-0.70
Overall gearing (times)	0.18	0.38
Interest coverage (times)	5.74	11.04

UA: Un Audited, Standalone Audited financials of JAWPL and JAWEPL are combined.

Prov.: Provisional, Standalone provisional financials of JAWPL and JAWEPL are combined

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)
Total operating income	179.11	154.47
PBILDT	1.63	1.51
PAT	0.51	0.01
Overall gearing (times)	0.21	0.47
Interest coverage (times)	11.35	89.46

A: Audited

Status of non-cooperation with previous CRA: CRISIL vide press release August 22, 2022 had reviewed the rating of the company under issuer not cooperating.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (11-Sep-19)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (22-Jun-21)	1)CARE BB+; Stable (02-Dec-20)	1)CARE BB; Stable (11-Sep-19)

*Long term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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