

Jai Balaji Jyoti Steels Limited

July 31, 2024

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	55.97	CARE BB+; Stable	Reaffirmed; Outlook revised from Positive
Long-term / Short-term bank facilities	0.81	CARE BB+; Stable / CARE A4+	Reaffirmed; Outlook revised from Positive

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Jai Balaji Jyoti Steels Limited (JBJSL) continue to remain constrained by its subdued financial performance in FY24 (refers to the period April 1 to March 31), profitability being susceptible to volatility in raw material prices and cyclical nature associated with the steel industry.

The ratings also take into consideration the ongoing capex for setting up of captive power plant which has been funded out of internal accruals and unsecured loans leading to moderation in capital structure and debt protection metrics.

The ratings, however, continues to derive strength from experienced promoters with presence for over two decades in the industry and satisfactory capacity utilisation.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining the increased revenue above Rs.400 crore with sustained profitability.
- Sustaining the capital structure at around 1x with sustained improvement in total debt/GCA.

Negative factors

- Decline in scale of operations below Rs.350 crore and operating margins below 5% on a sustained basis.
- Deterioration in capital structure beyond 1.75x and Total Debt/GCA beyond 4.50x on a sustained basis.
- Substantial deterioration in liquidity profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) has revised the outlook from 'Positive' to 'Stable' in view of the moderation in financial performance in FY24. However, Care Ratings continue to believe that the company shall sustain its moderate financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Profitability susceptible to volatility in the prices of raw materials

The basic raw materials for JBJSL are iron ore and coal. The prices of raw materials are highly volatile in nature due to commodity nature of product. With company lacking backward integration for both coal & iron ore, the company resorts to linkage with Mahanadi Coalfields Limited, Odisha Mining Corporation Limited and open market purchases for coal and iron ore. Nonetheless, the company has backward integration in terms of sponge iron manufacturing facility, thus making it better placed than only billet producers.

Cyclical nature associated with the steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate capital structure and debt protection metrics

The capital structure witnessed moderation on account of availment of unsecured loans to fund the capex requirements in FY24. Accordingly, the overall gearing ratio of the company has moderated from 1.04x as on March 31, 2023, to 1.37x as on March 31, 2024. The debt protection metrics marked by Total debt/GCA also witnessed moderation from 4.02x as on March 31, 2023, to 14.33x as on March 31, 2024, as company has witnessed significant reduction in GCA in FY24 along with increase in unsecured debts. Interest coverage has also moderated from 5.26x in FY23 to 1.65x in FY24 due to a decline in absolute PBILDT. Going forward, with the expected improvement in the financial performance of the company, the debt coverage indicators are expected to improve.

Subdued financial performance in FY24

Total revenue from operations of JBJSL witnessed moderation from Rs.487.40 crore in FY23 to Rs. 421.89 crore in FY24 mainly due to reduction in realisation of billets during the year. However, the prices of raw materials remained more or less stable. Accordingly, the PBILDT margin moderated to 2.92% in FY24 as against 6.73% in FY23. However, with the 5-MW Atmospheric Fluidized Bed Combustion (AFBC) power plant expected to be operational by October 2024, the company is expected to benefit from reduced power cost leading to improvement in profitability margin going forward.

Ongoing capex

Power cost is the second major contributor to total cost after raw materials in a billet manufacturing plant. As a result, the company is currently in the process of establishing an additional 5-MW power plant. Prior to this, the company successfully commissioned a 5-MW waste heat recovery power plant (WHRP) in October 2023 for a cost of around Rs.52 crore. Simultaneously, the company is setting up an AFBC power plant with an estimated cost of approximately Rs.50 crore. Most of the expenses have already been incurred, with Rs.1 to 2 crore remaining. The AFBC power plant is expected to be fully operational by October 2024. Post completion of the power plant, the power cost is expected to reduce. The entire setup cost for both the plant has been funded through internal accruals and unsecured loans.

Key strengths

Experienced promoters with presence for over two decades in the industry

JBJSL, incorporated in April 2003 and based in Sundargarh (Odisha), is a part of the Jai Balaji group. JBJSL is a closely held family managed company. The day-to-day affairs of the company are looked after by Mr. Aditya Jajodia (Managing Director) who is having rich experience of over 25 years in setting up and managing steel & allied companies.

Satisfactory capacity utilization

The capacity utilisation of Sponge Iron and MS Billet for FY24 stood satisfactory at 81% and 84% respectively as against 84% and 76% respectively in FY23.

Liquidity: Adequate

Liquidity has been marked adequate with company earning GCA of Rs.9.50 crore as against nil repayment obligation in FY24 along with moderate utilisation of fund-based limit and strong support from promoter group. JBJSL has nil repayment obligation during FY25 as the company does not have any term debts. The average utilisation of the fund-based limit during the past 12 months ended June 2024 has been around 68% giving enough head rooms to meet its short-term working capital requirements. Furthermore, the company has a cash and liquid investment of Rs. 7.58 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

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About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

JBJSL is engaged into manufacturing of sponge iron and Mild Steel billets with installed capacity of 1,20,000 MTPA and 1,11,420 MTPA respectively. The manufacturing facility is located in Sundargarh, Odisha. Jai Balaji group is engaged in manufacturing of sponge iron, pig iron, ferro alloys, billets, TMT bars & rods, DI Pipes and copper rods in various parts of Eastern India. The other major companies belonging to the promoters is Jai Balaji Industries Ltd., engaged in manufacturing of iron and steel products and Chandi Steels Industries Limited engaged in niche product like Cathode Collector Bar, Anode Bar, Copper Inserted Cathode Bar Assembly, Anode Stub and Grinding Media Rod for the aluminium, mineral and mining industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	487.40	421.89
PBILDT	32.81	12.31
PAT	15.12	2.61
Overall gearing (times)	1.04	1.37
Interest coverage (times)	5.26	1.65

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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		-	-	-	55.97	CARE BB+; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	0.81	CARE BB+; Stable / CARE A4+

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	55.97	CARE BB+; Stable	-	1)CARE BB+; Positive (07-Aug-23)	1)CARE BB+; Stable (07-Oct-22) 2)CARE BB-; Stable (06-Apr-22)	1)CARE B+; Stable (13-Sep-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.81	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Positive / CARE A4+ (07-Aug-23)	1)CARE BB+; Stable / CARE A4+ (07-Oct-22) 2)CARE BB-; Stable / CARE A4 (06-Apr-22)	1)CARE B+; Stable / CARE A4 (13-Sep-21)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the 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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About us:

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