May 19, 2014

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF JANKI CORP LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	402.06	**CARE B+ (Single B Plus)**	Reaffirmed
Short term Bank Facilities	86.00	**CARE A4 (A Four)**	Reaffirmed
Total Facilities	**488.06**		

Rating Rationale

The ratings of the bank facilities of Janki Corp Limited (JCL) continue to be constrained by the high working capital intensity of its operations, high leverage, losses incurred during H1FY14 (refers to the period April 1 to September 30) and its presence in an inherently cyclical steel and textile industry along with on-going regulatory hurdles faced by the Indian iron ore industry. The ratings take cognizance of the receipt of approval for restructuring of its debt under the Corporate Debt Restructuring (CDR) mechanism.

The ratings, however, continue to derive comfort from JCL's experienced promoters and its established operations.

JCL's ability to improve its profitability by managing the volatile raw material prices, efficiently manage its working capital requirements, complete its on-going projects within the envisaged time and cost parameters and generate the envisaged returns thereof along with an improvement in its capital structure are the key rating sensitivities.

Background

Promoted by Mr Raghu Nath Mittal, JCL is a closely-held public limited company. It commenced its operations with a fabric processing facility at Bhilwara in 1993. JCL entered into the steel business during 2005 by setting up a sponge iron manufacturing unit in Bellary (Karnataka) with a capacity of 180,000 Metric Tonnes Per Annum (MTPA). The company has also setup a Waste Heat Recovery Boiler (WHRB) based power plant of 15 MW (commissioned in March 2010) and pellet plant of 600,000 MTPA (commissioned in September 2011). Contribution of sponge iron, pellet, textile and sale of power constituted 51%, 34%, 12% and 3%, respectively in the total operating income of Rs.658.53 crore during FY13 (refers to the period April 1 to March 31).

Based on the audited results for FY13, JCL reported a total operating income and Profit after Tax (PAT) of Rs.658.53 crore (PY: Rs.515.24 crore) and Rs.33.33 crore (PY: Rs.24.98 crore) respectively. However, as per the provisional results for H1FY14, JCL reported a total operating income of Rs.248.82 crore with a net loss of Rs.18.44 crore.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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