OCTOBER 14, 2014

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	513.68 (enhanced from Rs.402.06 crore)	CARE B+ (Single B Plus)	Reaffirmed
Short-term Bank Facilities	107 (enhanced from Rs.86 crore)	CARE A4 (A Four)	Reaffirmed
Total Facilities	**620.68**		

Rating Rationale

The ratings assigned to the bank facilities of Janki Corp Limited (JCL) continues to be constrained by the decline in the scale of operations as well as cash losses incurred by it during FY14 (refers to the period April 1 to March 31), increase in working capital intensity, high leverage, weak debt protection indicators 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 turnaround its operations through improvement in capacity utilization and sales realization of its pellet plant and efficient management of its working capital requirements are the key rating sensitivities. JCL's ability to complete its on-going projects within the envisaged time and cost parameters along with generation of the envisaged returns thereof would also be crucial.

Background

Promoted by Mr Raghu Nath Mittal, JCL is a closely-held public limited company. It commenced its operations with fabrics processing facility in Bhilwara in 1993. JCL entered in steel business during 2005 by setting up a sponge iron manufacturing unit in Bellary (Karnataka) with a capacity of 180,000 MTPA. The company has also setup Waste Heat Recovery Boiler (WHRB) based power plant of 15 MW (commissioned in March 2010) and pellet plant of 6,00,000 MTPA (commissioned in September 2011) and iron ore fines beneficiation plant (IOFBP) of 8,50,000 MTPA (commissioned in FY14 which is to be used for raw material for manufacturing pellet). Contribution of sponge iron, pellet, textile and sale of power constituted 59%, 16%, 17% and 5% respectively in the total operating income of Rs.658.53 crore during FY14.

Based on the audited results for FY14, JCL reported a total operating income (TOI) of Rs.486.66 crore (FY13: Rs. 658.53 crore) and net loss of Rs.17.99 crore (FY13: net profit of Rs.33.33 crore).

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

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