December 10, 2013

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	414.96	**'CARE B+' (Single B Plus)**	Revised from 'CARE BB+' (Double B Plus)
Short-term Bank Facilities	86.00	**'CARE A4' (A Four)**	Revised from 'CARE A4+' (A Four Plus)
Total Facilities	**500.96**		

Rating Rationale

The revision in the ratings of the bank facilities of Janki Corp Limited (JCL) is on account of the losses incurred during H1FY14 (refers to the period from April 1 to September 30) resulting into weakening of its liquidity and debt protection indicators.

The ratings continue to be constrained by the high working capital intensity of its operations, high leverage 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, 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. Need-based support from the promoters towards uninterrupted operations of the company is also equally crucial.

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.

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

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