Press Release

Jammu Pigments Limited

January 27, 2025

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.75	IVR A/ Stable [IVR Single A with stable outlook]	IVR BBB/RWDI [IVR Triple B under Rating Watch with Developing Implication]	Rating Upgraded and removed from Rating Watch with Developing Implications	Simple
Short Term Bank Facilities	16.25	IVR A1 [IVR Single A One]	IVR A3+/RWDI [IVR A Three Plus under Rating Watch with Developing Implication]	Rating Upgraded and removed from Rating Watch with Developing Implications	Simple
Total	**77.00**	**[Rupees Seventy-seven crore only]**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its rating assigned to the bank facilities for the long-term facilities to IVR A with stable outlook and short-term facilities to IVR A1 and removed from Rating Watch with Developing Implications (RWDI) for Jammu Pigments Limited (JPL). The watch has been removed following completion of acquisition of remaining 2% stake which concluded total of 51% stake of Godawari Power and Ispat Limited (GPIL) in JPL.

The rating upgrade takes into consideration change in shareholding with strong promoters now being part of GPIL along with sustained improvement in the performance of the company. The rating continues to draw comfort from long standing track record of operations and along with diversified customer base. Further, the ratings also took into consideration the continuous growing scale of operations along with comfortable financial risk profile. However, these rating strengths are partially offset by moderate profitability along with exposure of margins to volatility in raw material prices and exchange rates coupled with Intense competition. The company also remains exposed to risks associated with change in government policies related to tightened environmental norms. The rating favorably factored in commitment from GPIL (a listed entity) in managerial, operational, and financial support to JPL. Despite holding a 51% stake, GPIL is prepared to assist JPL in any distress scenario. This also includes distress support in a timely manner to ensure that all financial obligations by JPL are met in a timely manner.

The ‘Stable’ outlook reflects Infomerics Ratings expectation of sustained profitability and growing scale of operations. Infomerics believes JPL will continue to benefit from its operational track record in the business resulting in increased scale of operations

Infomerics Ratings has principally relied on the consolidated audited financial results of JPL and Mittal Pigment Private Limited (MPPL) up to 31 March 2024 (refers to period 2 April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company’s management.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.
- Effective working capital management with improvement in operating cycle and liquidity.
- Any further acquisition by GPIL in the company.

Downward Factors

- Decline in operating income and/or profitability impacting the debt coverage indicators
- Elongation in the operating cycle impacting liquidity.
- Any significant deterioration in the credit profile of its parent, or the weakening of linkages or strategic importance with the parent could put pressure on the rating.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong promoter group support along with experienced promoters

The company is now being part of Gowadari Power and Ispat Limited being acquiring 51% of the total shareholding of Jammu Pigment Limited. This acquisition will provide strategic growth opportunity to enter into the highly capital-intensive non-ferrous metals business, further enhancing the diversification of business model which will in turn enhance the value of the company going forward. GPIL has been operating since 1999 and has an established track record in the steel industry that is managed by Mr. B.L Agarwal, who has over three decades of experience in the steel business. This has helped the company establish healthy relationships with customers and suppliers. Further, Mr. Ramesh Agarwal is having more than three decades of experience in the metal Industry, looking after overall Management of the company.

Long standing track record of operations along with diversified customer base

The extensive experience of the promoter has helped the group to establish a healthy and long-standing relationship with customers and suppliers. The group has diversified customer base, which mitigates business risks. JPL and MPPL are engaged in the same line of business i.e. manufacturing of lead and zinc 3 products like lead ingot, lead alloys, zinc oxide.

Continuous Growing Scale of operations albeit moderate profitability

The total operating income of the group registered a CAGR of 27.19% during last three years ending March 31, 2024. Further on y-o-y basis, the TOI grew by 15.83% and stood at Rs. 1173.78 crore in FY24 compared to Rs. 1013.38 crore in FY23 on account of increase in sales volume as well as sales realization of its key products. Gross Cash Accruals (GCA) of the group stood at Rs. 35.83 crore in FY24 improved from Rs. 25.66 crore in FY23 on account of increased profitability. The EBITDA Margin increased by 143 bps and stood at 6.29% in FY24 improved from 4.86% in FY23, on account of ramp up in revenue along with decline in raw material consumption cost. Subsequently, the PAT Margin increased by 61 bps and stood at 2.30% in FY24 improved from 1.69% in FY23.

Comfortable financial risk profile

The capital structure of the group stood comfortable marked by overall gearing stood at 0.76x as on 31st Mar'24 improved from 0.99x as on 31st Mar'23 on account of decline in debt along with improvement in TNW. The indebtedness of the group stood moderated marked by TOL/TNW ratio at 2.51x as on 31st Mar'24 deteriorated from 1.78x as on March 31, 2023, on account of significant increase in creditors. The debt protection matrices of the group stood comfortable marked with interest service coverage ratio (ISCR) of 2.77x in FY24 improved from 2.58x in FY23, due to increase in profitability and debt service coverage ratio (DSCR) stood at 1.69x in FY24 as compared to 1.36x in FY23. The total debt to GCA stood at 3.29x in FY24 compared to 6.28x in FY23 on account of decline in total debt along with increase in GCA.

B. Key Rating Weaknesses

Exposure of margins to volatility in raw material prices and exchange rates along with Intense competition

The group's margins remain susceptible to fluctuations in raw material prices such as lead scrap, zinc dross etc. Apart from this, group also import raw materials exposing the company to foreign exchange fluctuation risk. However, the risk is mitigated to some extent by use of forward cover to hedge its foreign exchange exposure. Further, the group operates in a fragmented and unorganized industry with presence of large number of small sized unorganised players as the industry is characterized by low entry barriers. Intense industry competition coupled with limited value addition of the product limits the company's pricing flexibility and bargaining power.

Risks associated with change in government policies related to tightened environmental norms

Companies in the lead metal industry must adhere to rigorous pollution control norms. With norms getting tightened and environmental activism taking centre stage, players are exposed to risks on the grounds of environmental concerns. Thus, change in government policies may continue to impact the operations and will remain a monitorable.

Analytical Approach: Consolidated
For arriving at the rating, Infomerics has consolidated view of the business and financial risk profiles of MPPL and JPL (Parent company of MPPL) as they are running under a common management with strong operational and financial linkages between the entities. Infomerics has analysed the consolidated financial statement to arrive at the ratings. Further, parent notch up is taken into consideration as it is now a part of GPIL (Hira Group).

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for Parent/Group support

Criteria for assigning Rating outlook.

Criteria for consolidation of companies

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

<u>Liquidity</u> – Adequate

The liquidity position of the group remains adequate, marked by its sufficient cash accruals as against its repayment obligations. The group's average fund based working capital limit utilization stood moderate at 83.87% for the last 12 months ended December 2024 indicate low buffer in its working capital limits. Further, the group had free cash and cash equivalents to the tune of Rs.13.10 crore as on September 30, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the group stood moderate at 1.33x as on March 31, 2024. Further, the group expects sufficient cushion in cash accruals against its debt repayments. The group is expecting GCA in the range of Rs. 62.29 Cr. - Rs. 83.14 Cr. during FY25-27 against debt repayment of Rs. 12.38 Cr.- 6.62 Cr. in FY25-27. The working capital cycle of the group stood at 56 days in FY24.

<u>About the Group</u>

Mittal Pigments Pvt. Ltd. And Jammu Pigments Limited Is Flagship Company of Mittal Group, which is one of India's largest manufacturers of metals, industrial chemicals, additives, stearates, stabilizers & catalysts. The group is one of the lowest cost producers in the world and are well placed to serve the growing demands of rubber, glass, polyester, paint, PVC & pigment industries all over the world. Since its inception the group has been presenting a promising picture in the field of chemicals and metals manufacturing globally, through its untiring mission & care for the industry.

<u>About the Company</u>

Incorporated in August 2005, Jammu Pigments Limited (JPL) is part of Mittal group and is promoted by Mr. Ramesh Kumar Agarwal. The company is engaged in manufacturing lead and zinc-based products such as lead ingots, lead alloys, and zinc oxide. The entity also trades lead ore, lead concentrate, and zinc. It has two manufacturing units located one each at Dariba (Rajasthan) and Kathua (Jammu &

Kashmir). It caters to battery, rubber, glass, tire and pharmaceuticals, polyester, paint, PVC, and pigment industries. The company is a member of ICC, ISRI, and MSME. Further, vide PR dated January 01, 2025, Godawari Power and Ispat Limited has acquired 51% shareholding in Jammu Pigment Limited on fully diluted basis.

Financials (Consolidated): **(Rs. Crore)**

For the year ended* / as on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1013.38	1173.78
EBITDA	49.25	73.86
PAT	17.17	26.98
Total Debt	161.20	117.98
Tangible Net Worth	130.27	155.11
Ratios		
EBITDA Margin (%)	4.86	6.29
PAT Margin (%)	1.69	2.30
Overall Gearing Ratio (x) (including quasi-equity)	0.99	0.76
Interest Coverage (Times)	2.58	2.77

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: Vide press release dated December 10, 2024, Brickworks Ratings India Private Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (Nov 28, 2024)	Date(s) & Rating(s) assigned in 2023-24 (March 20, 2024)	Date(s) & Rating(s) assigned in 2022-23 (Jan 31, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Dec 27, 2021)
1.	Long Term Facilities	LT	60.75	IVR A/Stable	IVR BBB/ RWDI	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ CWDI
2.	Short Term Facilities	ST	16.25	IVR A1	IVR A3+/ RWDI	IVR A3+	IVR A3+	IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 2	-	-	March 2026	3.22	IVR A/Stable
TL2	-	-	July 2029	7.94	IVR A/Stable
TL 3	-	-	Nov 2028	1.90	IVR A/Stable
GECL 2.0 ext.	-	-	Oct 2028	2.61	IVR A/Stable
Cash Credit	-	-	-	27.00	IVR A/Stable
Proposed	-	-	-	18.08	IVR A/Stable
WCDL	-	-	-	3.00	IVR A1
SLC	-	-	-	3.75	IVR A1
LC	-	-	-	7.50	IVR A1
BG	-	-	-	2.00	IVR A1

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-jammu-pigments-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis:

Name of the Company	Consolidated Approach
Jammu Pigments Limited	Full Consolidation
Mittal Pigments Private Limited	Full Consolidation

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.