

Press Release

J.D. Industries (India) Limited (JDIIL)

08 March, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.35.01 Crore
Long Term Rating	SMERA B/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B' (read as SMERA B)** on the Rs.35.01 cr bank facilities of J.D. Industries (India) Limited (JDIIL). The outlook is '**Stable**'.

JDIIL, incorporated in 1994, is a Delhi-based company promoted by Mr. J.D. Gupta. The company is engaged in the manufacturing of polyvinyl chloride (PVC) pipes and mild steel electric resistance welding (MS ERW) tubes.

The rating reaffirmation continues to reflect the modest debt protection metrics and the highly competitive nature of the pipes and tubes industry in India. The rating continues to draw substantial support from the experienced promoters and modest profitability indicators of the company.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The promoter, Mr. Janardan Gupta has more than three decades of experience in the company's line of business. SMERA expects JDIIL to continue to benefit from its ability to leverage the promoter's long standing relationships with various suppliers and customers.

Modest profitability indicators: The rating continues to be supported by the modest profitability indicators of the company. JDIIL reported operating profit margin of 5.52 per cent in FY2015-16 as compared to 5.32 per cent in FY2014-15. SMERA believes that JDIIL's ability to improve its profitability metrics over the medium term shall be a key rating sensitivity factor.

Weaknesses:

Competitive nature of the industry: The rating is constrained by the modest scale of operations and continued decline in operating income. The operating income declined to Rs. 72.64 cr in FY2015-16 from Rs. 82.49 cr in the previous year. SMERA expects a sluggish growth in operating income in the current financial year on account of continued softening of crude and metal prices along with the highly competitive nature of the industry.

Low debt protection metrics: The rating also reflects the low debt service coverage ratio (DSCR) of the company which declined to 1.04 times in FY2015-16 from 1.73 times in FY2014-15 resulting in limited cushion between operating cash flows and debt servicing commitments.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term owing to the management's extensive experience in the line of business. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the rated entity

JDILL, incorporated in 1994, is a Delhi-based company promoted by Mr. J.D. Gupta. The company is engaged in the manufacturing of polyvinyl chloride (PVC) pipes and mild steel electric resistance welding (MS ERW) tubes. The three manufacturing units are located at Ghaziabad (Uttar Pradesh), Bhiwadi (Rajasthan) and Siliguri (West Bengal).

In FY2015-16 the company achieved operating income of Rs.72.64 cr and Profit after Tax (PAT) of Rs.0.58 cr as compared to operating income of Rs.82.49 cr and PAT of Rs.1.25 cr a year earlier. The Net worth of the group stood at Rs.12.04 cr in FY2015-16 as compared to Rs.10.30 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Non availability of information

Any other information: N.A.

Rating History for the last three years

Facilities	Scale	FY2017		FY2016		FY2015		FY 2014	
		Amount Rs. Crore	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	16.00	SMERA B/Stable (Reaffirmed)	26 Oct, 2015	SMERA B/Stable (Upgraded)	28 Aug, 2014	SMERA D (Assigned)	-	-
Working capital Loan	LT	9.01	SMERA B/Stable (Reaffirmed)	26 Oct, 2015	SMERA B/Stable (Upgraded)	28 Aug, 2014	SMERA D (Assigned)	-	-
Working capital Loan	LT	6.00	SMERA B/Stable (Reaffirmed)	26 Oct, 2015	SMERA B/Stable (Upgraded)	28 Aug, 2014	SMERA D (Assigned)	-	-
Working capital Loan	LT	4.00	SMERA B/Stable (Reaffirmed)	26 Oct, 2015	SMERA B/Stable (Upgraded)	28 Aug, 2014	SMERA D (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	16.00	SMERA B/Stable (Reaffirmed)
Working Capital Term Loan	N.A	N.A	Not available	9.01	SMERA B/Stable (Reaffirmed)
Working Capital Term Loan	N.A	N.A	Not available	6.00	SMERA B/Stable (Reaffirmed)
Working Capital Term Loan	N.A	N.A	Not available	4.00	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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