

Press Release

J D Associate

May 15, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 20.00 crore bank facilities of J D Associate. The outlook is '**Stable**'.

J D Associate (JDA) was established as a proprietorship concern in the year 2013, by Mr. L. David Paulraj. The firm was re-constituted to partnership firm in March 2016 with Mrs. A. Prahba, Mr. N. V. S. Ramakrishnan and Mr. R. Vijay joining as partners. The firm is engaged in mining and trading of blue metals. The firm has taken two quarries located at Vandavasi and Mudichur (Tamil Nadu) on rent from Mr. R. Vijay. The firm caters to local customers engaged in construction industry.

Key Rating Drivers

Strengths

• Experienced Management

JDA benefits from its experienced management. Mr. L. David Paulraj (Managing Partner) has more than 10 years of experience in trading of blue metals while Mr. N.V.S Ramakrishnan is an experienced quarry operator and has more than four decade of experience in the same line of business.

• Comfortable profit margins

JDA's profit margins are uneven during the period under study 2014-2017. The operating margins stood at 9.24 percent in FY2016-17 (provisional) as against 10.91 percent in FY2015-16; however it remains comfortable. RoCE stood at 33.23 percent in FY2016-17 (provisional).

• Moderate financial risk profile

The financial risk profile of JDA is moderate marked by net worth of Rs. 5.26 crore as on 31st March 2017 (provisional) compared to Rs. 1.47 crore as on 31st March 2016. Net worth includes unsecured loans from promoters of Rs.3.30 crore as on 31st March 2017 which are treated as quasi equity as Gearing stood moderate at 0.17 times as on 31st March 2017 (provisional) compared to 1.29 times as on 31st March 2016. Interest coverage ratio (ICR) stood at 20.45 times in FY2016-17.

• Healthy order book position

JDA commenced mining operations in FY2016-17 by taking two quarries located at Vandavasi and Mudichur (Tamil Nadu) on rent from Mr. R. Vijay (partner). The firm has unexecuted orders of Rs. 283.74 crore providing healthy revenue visibility over the medium term.

Weaknesses

• Small scale of operation

JDA was engaged in trading of blue metals till FY2015-16 and hence operated at small scale. Operating income stood at Rs.2.90 crore in FY2015-16 as against Rs.1.00 crore in FY2015. In FY2016-17, the firm has taken two quarries located at Vandavasi and Mudichur (Tamil Nadu) on rent from Mr. R. Vijay (partner). The firm has registered revenue of around ~Rs.17.48 crore (provisional) for

FY2016-17.

• High dependence on construction sector and intense competition

JDA caters to customers in the construction sector. Thus there is high dependence on the sector and exposure to cyclical downturns in end user industry. Further the firm faces intense competition from various local players in the market.

• Working capital Intensive operations

JDA's operations are working capital intensive marked by gross current assets of 116 days in FY2016-17(provisional). This was on account of high debtor days of 83 in FY2016-17(provisional). The average utilisation in the working capital facility for five months ended March 2017 stood at ~86.00 percent.

• Partnership constitution

The partnership constitution of the firm renders it vulnerable to withdrawal of capital

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that JDA will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm achieves higher than the projected growth in revenues and profitability or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (provisional), JDA reported net profit of Rs. 1.04 crore on operating income of Rs. 17.48 cr compared to net profit of Rs.0.28 cr on operating income of Rs. 2.90 cr in previous year. The net worth stood at Rs. 5.26 cr as on March 31, 2017 (provisional) compared to net worth of Rs. 1.47 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.10	SMERA BB / Stable

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ABOUT SMERA

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