

Press Release

J D SONS STEELS PRIVATE LIMITED

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 29.50 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. 29.50 crore bank facilities of J D SONS STEELS PRIVATE LIMITED. The outlook is '**Stable**'.

The company was incorporated in the year 2001 as a private limited company by Mr. Darshan Goyal and Mr. Vinod Goyal primarily manufacturing cold-rolled carbon strips and coils, and mild steel wires.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The key promoter of the company Mr. Vinod Goyal has been in the iron and steel industry since 1971. Hence the directors are having presence of more than four decades of experience in the same line of business. The company was incorporated in year 2001. Hence experienced management and long track record of operations has helped the company to establish healthy relationships with customers and suppliers.

- **Moderate scale of operations**

The company is having moderate scale of operations marked by operating income of Rs.181.66 crore in FY2017 as against Rs.157.92 crore in the previous year. The CAGR stood at 0.92 percent for the last three years. Till February 2018 the company has achieved revenue of Rs.220.00 crores.

- **Moderate working capital requirements**

The company is having moderate working capital requirements marked by gross current asset days 123 as on 31st March 2018 as against same in the previous year. The inventory days stood at 18 days as on 31st March 2018 as against 25 days in the previous year. The debtor days stood at 89 days as on 31st March 2018 as against 84 days in the previous year.

Weaknesses

- **Average financial risk profile**

The company's financial risk profile marked by low networth, high gearing and low debt protection metrics. The networth stood at Rs.14.28 crore as on 31st March 2017 as against Rs.13.25 crore in the previous year. The gearing stood at 3.82 times as on 31st March 2017 as against 3.51 times in the previous year. The total debt of Rs.54.56 crore consists of long term debt of Rs.3.07 crore, unsecured loans from promoters of Rs.10.52 crore and short term borrowings of Rs.40.52 crores. The interest coverage ratio stood at 1.61 times in FY2017 as against 1.50 times in the previous year. The NCA/TD ratio stood at 0.05 times in FY2017 as against 0.04 times in the previous year.

- **Low profitability margins**

The company is having low EBITDA and PAT margins. The EBITDA margin stood at 4.50 percent in FY2017 as against 4.40 percent in the previous year. The PAT margin stood at 0.56 percent in FY2017 as against 0.47 times in the previous year.

• **Competitive and fragmented nature of business**

The company is operating in a highly competitive and fragmented industry dominated by organized and unorganized players, further limiting its bargaining power.

• **Susceptibility to fluctuations in raw material prices**

The main raw materials for the company is mainly steel, the raw material cost comprises of 85.56 percent out of total revenues. The price of steel is highly dependent on global supply and demand, hence fluctuations in raw material prices affects the revenue and profitability margins.

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes that JD Sons Private Limited will benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' in case the company significantly scales up its operations with improving its profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of JD Sons Private Limited reporting less than envisaged sales or profitability or due to weakening of the company's liquidity because of high working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	181.66	157.92	176.69
EBITDA	Rs. Cr.	8.17	6.96	6.64
PAT	Rs. Cr.	1.02	0.74	0.56
EBITDA Margin	(%)	4.50	4.40	3.76
PAT Margin	(%)	0.56	0.47	0.31
ROCE	(%)	10.62	10.30	19.92
Total Debt/Tangible Net Worth	Times	3.82	3.51	3.30
PBDIT/Interest	Times	1.61	1.50	1.51
Total Debt/PBDIT	Times	6.61	6.61	6.15
Gross Current Assets (Days)	Days	123	123	90

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	29.50	SMERABB / Stable

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ABOUT SMERA

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