

Press Release

J D Sons Steels Private Limited (JDSSPL)

June 20, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 29.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 29.50 crore bank facilities of J D Sons Steels Private Limited (JDSSPL). The outlook is '**Stable**'.

Haryana-based, J D Sons Steel Private Limited was incorporated in the year 2001 by Mr. Darshan Goyal and Mr. Vinod Goyal. The company is primarily engaged in the manufacturing of cold-rolled carbon strips and coils, and mild steel wires. The key promoter, Mr. Goyal, has been in the iron and steel industry since 1971.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JDSSPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Vinod Goyal, Director has over 20 years of experience in the iron and steel industry. The other Directors Mr. Radheshyam Pokar, Mr. Jagdish Kumar and Manish Gupta have experience of over a decade in the aforementioned industry. Hence experienced management and long track record of operations has helped the company to establish healthy relationships with customers and suppliers. Acuite believes that, the long track record of the company along with the extensive industry experience of the management will benefit the company immensely.

- **Improved scale of operations**

JDSSPL's scale of operations has improved which is evident by operating income of Rs.289.48 crore in FY2019 (Provisional) as against Rs.246.96 crore in the previous year. The revenue of the company has gone up at a CAGR of 13.14 percent over last three years.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of JDSSPL remained moderate marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of the company stood at Rs. 32.54 crore as on 31 March 2019 (Provisionals) as against Rs. 30.73 crore as on 31 March 2018. The gearing (debt-equity) stood at 1.70 times as on 31 March 2019 (Provisionals) as against 1.78 times as on 31 March 2018. The total debt of Rs. 55.24 crore as on 31 March 2019 (Provisionals) mainly comprises Rs. 29.50 crore of working capital borrowings and Rs. 2.83 crore of unsecured loans. The coverage indicators are average marked by Interest Coverage Ratio (ICR) which stood at 1.98 times for FY2019 (Provisionals) as against 1.97 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.09 times in FY2019 (Provisionals) and 0.08 times in FY2018. Debt to EBITDA stood at 4.58 times in

FY2019 (Provisionals) as against 5.07 times in FY2018.

• Competitive and fragmented industry:

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

• Vulnerability to the fluctuations in raw material prices:

Iron and Steel are the main raw materials for JDSSPL and historically the price of the same have varied due to various domestic as well as global factors for instance trade tariffs, Rise and fall in currency exchange rates, general condition of the world economy etc.

Liquidity position

JDSSPL has comfortable liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 4.82 crores for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.62 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 6.12 crore to Rs. 8.69 crore during 2020-22 against no major repayment obligation. The company's working capital operations are moderate marked by gross current asset (GCA) days of 102 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.07 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.46 times as on 31 March 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

ACUITE believes JD Sons Private Limited will maintain a stable business risk profile over the medium term from the promoter's longstanding experience in the iron and steel industry. The outlook may be revised to 'positive' if the company achieves more than envisaged sales and profitability while stabilizing commercial operations efficiently. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve significant growth in revenue and significant deterioration in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY7 (Actual)
Operating Income	Rs. Cr.	289.48	246.96	181.66
EBITDA	Rs. Cr.	11.97	10.69	8.17
PAT	Rs. Cr.	2.50	2.13	1.02
EBITDA Margin	(%)	4.14	4.33	4.50
PAT Margin	(%)	0.87	0.86	0.56
ROCE	(%)	11.28	11.41	10.62
Total Debt/Tangible Net Worth	Times	1.70	1.78	1.78
PBDIT/Interest	Times	1.98	1.97	1.61
Total Debt/PBDIT	Times	4.58	5.07	5.33
Gross Current Assets (Days)	Days	102	112	123

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
03- Apr-2018	Cash Credit	Long Term	INR 29.50	ACUITE BB / Stable (Assigned)

***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	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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