

Press Release

Jugraj Tejraj Agency Private Limited

June 18, 2018

Rating Assigned



| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs. 9.95 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook: Stable |
| Short Term Rating | ACUITE A3+ |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 9.95 crore bank facilities of Jugraj Tejraj Agency Private Limited. The outlook is '**Stable**'.

Part of the JTGR Group, JTAPL was incorporated in 2000 by Mr. Parasmal Jain. The company is engaged in trading of Aluminium sheets, coils, wire rods, ingots, among others. JTAPL is the flagship company of JTGR group. Vinal Mehta Limited, Jeti Multi Metal LLP and Jay Metal Industries are also part of the group which is engaged in trading of Aluminium products.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoter**

The group has established operational track record of four decades. This has helped maintain long standing relations with customers and suppliers. JTAPL is engaged in trading of Aluminium sheets, coils, wire rods, ingots, among others since 2000. The promoter, Mr. Parasmal Jain possesses more than three decades experience in metal trading industry.

- **Healthy revenue growth**

The group has been growing at a CAGR of 7.51 percent from FY2015 to FY2018 (Provisional). It earned revenue of Rs.646.44 crore in FY2018 (Provisional) and it is expected that the revenue will grow by ~7-8 percent.

- **Comfortable financial risk profile and liquidity profile**

The group has a comfortable financial risk profile marked by net worth of Rs.40.22 crore as on 31 March, 2018 (Provisional) compared to Rs.37.49 crore as on 31 March, 2017. The gearing stood at 0.74 times as on 31 March, 2018 (Provisional) as against 0.51 times as on 31 March, 2017. The total debt of Rs.29.93 crore comprises interest bearing unsecured loans from related parties of Rs. 29.93 crore as on 31 March, 2018 (Provisional). The Interest Coverage Ratio stood at 2.94 times in FY2018 (Provisional) as against 2.81 times in FY2017. The net cash accruals stood at Rs.2.97 crore as on FY2018 (Provisional). The group continues to efficiently manage its working capital requirement with working capital cycle days of 50 for FY2018 (Provisional) compared to 60 days in the previous year. Further, the liquidity remains adequate because of comfortable cash accruals and absence of any debt funded capex over the medium term. The operating cycle of the group is abbreviated as the Gross Current Asset (GCA) days stood at 60 for FY2017 as against 50 days for FY2018 (Provisional). Going forward, Acuite expects the company to maintain its financial risk profile and improve its networth in the absence of major debt funded capex plan.

Weaknesses

- **Low profitability margins**

On net profit levels, the margins remained low at 0.42 percent (Provisional) during FY2018 as against 0.58 percent in FY2017 mainly on account of higher interest cost on unsecured loan.

• **Exposure to cyclicity in the aluminium industry and intense competition**

The company is exposed to inherent cyclicity in the aluminium industry and has presence in a highly fragmented and competitive aluminium trading industry.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of the JTAPL and Guru Rajendra Metals Private Limited to arrive at this rating.

Outlook: Stable

Acuite believes that JTGR group will maintain a 'Stable' outlook over the medium term owing to its established presence in the aluminum industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if the group's profit margin decline in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 646.44 | 456.59 | 359.28 |
| EBITDA | Rs. Cr. | 5.84 | 6.28 | 4.41 |
| PAT | Rs. Cr. | 2.72 | 2.64 | 1.20 |
| EBITDA Margin | (%) | 0.90 | 1.38 | 1.23 |
| PAT Margin | (%) | 0.42 | 0.58 | 0.33 |
| ROCE | (%) | 9.97 | 11.73 | 17.28 |
| Total Debt/Tangible Net Worth | Times | 0.74 | 0.51 | 0.59 |
| PBDIT/Interest | Times | 2.94 | 2.81 | 1.91 |
| Total Debt/PBDIT | Times | 4.57 | 2.73 | 3.77 |
| Gross Current Assets (Days) | Days | 50 | 60 | 81 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 |
|------------------------------------|------------------|----------------|----------------|-----------------------------|----------------------|
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 0.95 | ACUITE BBB- / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A3+ |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A3+ |

Contacts

| Analytical | Rating Desk |
|--|---|
| <p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@acuite.in</p> | <p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p> |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.