

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

Acuité 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, Acuité 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 cyclical in the aluminium industry and intense competition**

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

Analytical Approach

Acuité 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

Acuité 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+

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About Acuité Ratings & Research:

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