

Press Release

Jugraj Tejraj Agency Private Limited

November 13, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the 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 (JTAPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The ratings reaffirmation draws comfort from the extensive experience of JTGRG's promoters in the aluminium trading industry, healthy scale of operations, improved working capital management and stable financial risk profile marked by the conservative financial policy. The ratings, however, remain constrained by JTGRG's very thin profitability margins due to its trading nature of the business, increasing intense competition in the domestic market and its exposure to the fluctuation of global aluminium prices that ultimately determine the business performance of the group. Moreover, the business performance is likely to further moderate in FY2021 due to subdued industrial output on Y-O-Y basis due to the Covid-19 pandemic.

About the Group

JTGR Group (JTGRG) comprises of Jugraj Tejraj Agency Private Limited (JTAPL) and Guru Rajendra Metals Private Limited (GRMPL). The group was founded in 1975 by Late Mr. Parasmal Jain. Currently, the group is managed by Mr. Surendra B. Mehta and is engaged in trading of aluminium sheets, coils, wire rods, ingots, among others majorly for Hindalco Industries Limited.

About the Company

Mumbai based, Jugraj Tejraj Agency Private Limited (erstwhile Jugraj Tejraj & Sons) was established as a partnership firm in 1972 by Late Mr. Parasmal Jain and was later incorporated as a private limited company in 2000. Currently, the company is managed by Mr. Surendra B. Mehta. The company is engaged in trading of Aluminium wire rods and ingots for Hindalco Industries Limited in the Gujarat region. JTAPL is the flagship company of JTGR Group (JTGRG).

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Guru Rajendra Metals Private Limited and Jugraj Tejraj Agency Private Limited together referred to as the 'JTGR Group' to arrive at the rating. The consolidation is in the view of similarity in the line of business and common management. Extent of consolidation: Full

Key Rating Drivers

Strengths

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

JTGRG founded in 1972 has an operational track record of over four decades in the aluminium trading industry. This has helped maintain long standing established relations with its customers and suppliers that has ensured consistent orders and supply on raw materials on a continuous basis. JTGRG is engaged in trading of Aluminium sheets, coils, wire rods and ingots among others in the Gujarat, Maharashtra and the Madhya Pradesh region. The directors of the group possess more than two decades of experience in the aforementioned line of business.

Acuité believes that the company will continue to benefit from management's experience in the industry and its established market presence in the near to medium term.

• **Moderate financial risk profile**

JTGRG has moderate financial risk profile marked by improvement in tangible net worth, stable gearing and declining yet moderate debt protection metrics.

The tangible net worth of the group stood at Rs.41.19 Cr. as on March 31, 2020 (Provisional) as against Rs.39.66 Cr. as on March 31, 2019. The group follows a conservative financial policy as reflected in its gearing (Debt to Equity) which stood comfortable at 0.42 times as on March 31, 2020 (Provisional) as against 0.47 times as on March 31, 2019. The debt profile of the group comprises of unsecured loans infused by the promoters. This is reflected in TOL/TNW (Total Outside Liabilities to Total Net Worth) of 0.57 times as on March 31, 2020 (Provisional) as against 1.24 times as on March 31, 2019.

The debt protection metrics have moderated on a Y-O-Y basis as reflected in its ICR (Interest Coverage Ratio) 1.98 times as on March 31, 2020 (Provisional) as against 2.75 times as on March 31 2019 and the DSCR (Debt-Service Coverage Ratio) of 1.68 times as on March 31, 2020 (Provisional) as against 2.20 times as on March 31 2019.

Acuité expects the financial risk profile is expected to remain moderate in near to medium term on account of the stagnant scale of operations in the absence of significant improvement visible in sight in the near term due to subdued prices and demand outlook caused by the impact of COVID-19.

• **Efficient working capital management**

JTGRG has efficient working capital management marked by its GCA (Gross Current Asset) to 32 days as on March 31, 2020 (Provisional) as against 50 days as on March 31, 2019. The improvement in GCA is driven by improvement in Debtors to 18 days as on March 31, 2020 (Provisional) as against 34 days as on March 31, 2019.

Weaknesses

• **Thin profitability margins**

JTGRG operates on thin profitability margins due to its trading nature of the business. The operating margin stood at 0.84 per cent in FY2020 (Provisional) as against 1.20 percent in FY2019 while the net profit margin stood at 0.28 per cent in FY2020 (Provisional) as against 0.50 percent in FY2019. The NCA margin (Net Cash Accruals to Total Revenue) too remains thin at 0.33 percent in FY2020 (Provisional) as against 0.56 percent in FY2019.

• **Exposure to cyclical in the aluminium industry and the increasing intense competition**

JTGRG operates in a highly competitive industry with intense competition from several medium to large size traders in the organised and the unorganised segment that have increased the competition in the recent years which is being reflected in the declining volumes traded annually by the group. JTGRG, at the same time, is also exposed to inherent cyclicity in the aluminium industry and the vagaries of the global aluminium prices that in-turn impact its overall performance directly.

Liquidity position: Adequate

JTGRG has adequate liquidity with fund based working capital limits remain utilised at ~20 percent and non-fund based working capital limits remain utilised at ~50 percent for the 6 month period till October, 2020. It also has adequate yet declining net cash accruals to its maturing debt obligations. JTGRG generated net cash accruals of Rs.1.79 Cr. as on March 31, 2020 (Provisional) as against Rs.3.24 Cr. as on March 31, 2019 against no maturing debt obligations during the same period. The cash accruals of the group are estimated to remain in the range of around Rs.0.70 Cr. to Rs.3.10 Cr. during 2021-23 against no repayment obligation. The NCA/TD stood at 0.10 times as on March 31, 2020 (Provisional) as against 0.18 times as on March 31, 2019. The group maintained unencumbered cash and bank balances of Rs.7.70 Cr. as on March 31, 2020 (Provisional).

Acuité expects that the liquidity is likely to remain adequate in near to medium term on account of moderate net cash accruals while having no maturing debt obligations.

Rating Sensitivities

- Lower than expected operating performance.
- Significant decline in profitability margins.

- Deterioration in the working capital cycle leading to stress on the liquidity position of the group.
- Significant fluctuation in aluminium prices impacting the revenue.

Material Covenants

None

Outlook: Stable

Acuité believes that JTGRG will maintain a 'Stable' outlook in the near to medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' if the group registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the group registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	549.03	577.55
PAT	Rs. Cr.	1.54	2.90
PAT Margin	(%)	0.28	0.50
Total Debt/Tangible Net Worth	Times	0.42	0.47
PBDIT/Interest	Times	1.98	2.75

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2019	Secured Overdraft	Long Term	0.95	ACUITE BBB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
18-Jun-2018	Secured Overdraft	Long Term	0.95	ACUITE BBB- / Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE BBB- / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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