

Press Release

Guru Rajendra Metals 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 Guru Rajendra Metals Private Limited. The outlook is '**Stable**'.

The Mumbai-based, Guru Rajendra Metals Private Limited (GRMPL) is a part of the JTGR Group. GRMPL was incorporated in 1975 by Mr. Parasmal Jain and is engaged in trading of Aluminum sheets, coils, wire rods, ingots, among others. The group consists of four other companies viz. Vinal Metal Limited, Jugraj Tejraj Agency Private Limited, Jeti Multi Metal LLP and Jay Metal Industries.

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. GRMPL is engaged in trading of Aluminum sheets, coils, wire rods, ingots, among others. The promoter of the firm, Mr. Parasmal Jain possesses more than three decades of experience in metal trading industry. The other directors, Mr. Vinod Parasmal Jain, and Mr. Dilip Parasmal Jain possess more than two decades of experience in metal trading industry.

- **Healthy revenue growth**

The group has been in similar line of industry for over four decades. The revenue has grown at a CAGR of 10.00 percent from FY2015 to FY2018 (Provisional). The group has achieved revenue of Rs. 646.44 crore in FY2018 (Provisional) as against Rs.456.59 crore in FY2017. Further, Acuité expects the revenue to grow at a steady rate in medium to long term.

- **Healthy financial risk profile and liquidity profile**

The group has a healthy 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 as on 31 March, 2018 (Provisional) comprises Rs.29.93 crore of unsecured loans. The Interest Coverage Ratio (ICR) stood at 2.94 times in FY2018 (Provisional) as against 2.81 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.34 times as on 31 March, 2018 (Provisional) as against 1.13 times as on 31 March, 2017. The group continues to efficiently manage its working capital requirement with working capital cycle of 50 for FY2018 (Provisional) compared to 60 days in the previous year. 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 backed by steady net cash accrual and in the absence of major debt funded capex plan.

Weaknesses

- **Low profitability margins**

Being in trading nature of business, the margin of the group has remained low. The operating margin stood at 0.90 percent for FY2018 (Provisional) as against 1.38 percent for FY2017. The net profit margin remained low at 0.42 percent in FY2018 (Provisional) as against 0.58 percent in FY2017.

- **Exposure to cyclical in the aluminum industry and intense competition**

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

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Guru Rajendra Metals Private Limited and Jugraj Tejraj Agency Private Limited to arrive at this rating as they share same management and are into same line of business.

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	5.00	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+

Contacts

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

About Acuité Ratings & Research:

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