

Press Release

Guru Rajendra Metals Private Limited

August 19, 2019



Rating Reaffirmed

| | |
|-------------------------------------|-------------------------------|
| 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 reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B 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**'.

Mumbai-based, Guru Rajendra Metals Private Limited (GRPL) was incorporated in 1975 by Late Mr. Parasmal Jain. Currently, the directors of the company are Mr. Dilip P. Jain, Mr. Vinod P. Jain, Mr. Gumanmal Dhoked, Mr. Surendra Mehta and Mr. Varun V. Jain. The company is engaged in trading of Aluminium sheets, coils, wire rods and ingots, among others mainly for Hindalco Industries Limited.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Guru Rajendra Metals Private Limited (GRPL) and Jugraj Tejraj Agency Private Limited (JTPL) together, referred to as the JTGR Group, to arrive at this rating as they share same management and are into same line of business.

Key Rating Drivers

Strengths

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

The JTGR Group was founded in 1972. Thus, the group has an operational track record of over four decades in the aluminium trading industry. This has helped maintain long standing relations with customers and suppliers. JTGR Group is engaged in trading of Aluminum sheets, coils, wire rods and ingots among others. The directors of the group possess more than two decades of experience in the aforementioned line of business. Acuité believes that JTGR Group will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Healthy scale of operations**

The group has been in same line of industry for over four decades. The group has registered revenue of Rs. 576.96 crore in FY2019 (Provisional) as against Rs. 649.84 crore in FY2018 and Rs. 456.59 crore in FY2017. The decline in revenue in FY2019 is mainly due to decline in price of aluminium as well as marginal decline in volume. Further, Acuité expects the revenue to grow at a steady rate in medium to long term on account of revenues booked by the group for the period of April 2019 to July 2019 (Provisional) are Rs. 201.78 crore.

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

The group has a healthy financial risk profile marked by net worth of Rs. 40.62 crore as on 31 March, 2019 (Provisional) compared to Rs. 38.75 crore as on 31 March, 2018. The gearing stood at 0.71 times as on 31 March, 2019 (Provisional) as against 0.77 times as on 31 March, 2018. The total debt of Rs. 28.80 crore as on 31 March, 2019 (Provisional) comprises Rs. 18.48 crore of unsecured loans and Rs. 10.32 crore of short term borrowing. The Interest Coverage Ratio (ICR) stood at 2.26 times in FY2019 (Provisional) as against 2.76 times in FY2018. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.22 times as on 31 March, 2019 (Provisional) as against 1.44 times as on 31 March, 2018. The group continues to efficiently manage its working capital operations marked by Gross Current Asset (GCA) days which stood at 51 days for FY2019 (Provisional) as against 48 days for FY2018. Going forward, Acuité expects the group to maintain its healthy 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 0.89 per cent for FY2019 (Provisional) as against 1.03 percent for FY2018. The net profit margin remained low at 0.33 per cent in FY2019 (Provisional) as against 0.42 per cent in FY2018.

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

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

Liquidity Position

JTGR Group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 2.24 crore for FY2019 (Provisional) against no maturing debt obligations for the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 3.00 crore to Rs. 4.00 crore during 2020-22 against no repayment obligation. The group has efficiently managed working capital operations as marked by GCA days of 51 days for FY2019 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 9.78 crore as on March 31, 2019 (Provisional). The current ratio stood at 2.83 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

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 declines in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

About the Group

JTGR Group comprises of two companies namely Guru Rajendra Metals Private Limited (GRPL) and Jugraj Tejraj Agency Private Limited (JTPL). JTPL is the flagship company of JTGR group. The group was founded in 1972 by Late Mr. Parasmal Jain. Currently, the group is managed by Mr. Surendra Mehta. The group is engaged in trading of Aluminium sheets, coils, wire rods, ingots, among others.

About the Rated Entity - Key Financials (Consolidated)

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 576.96 | 649.84 | 456.59 |
| EBITDA | Rs. Cr. | 5.16 | 6.70 | 6.28 |
| PAT | Rs. Cr. | 1.89 | 2.71 | 2.64 |
| EBITDA Margin | (%) | 0.89 | 1.03 | 1.38 |
| PAT Margin | (%) | 0.33 | 0.42 | 0.58 |
| ROCE | (%) | 7.57 | 10.70 | 11.74 |
| Total Debt/Tangible Net Worth | Times | 0.71 | 0.77 | 0.51 |
| PBDIT/Interest | Times | 2.26 | 2.76 | 2.81 |
| Total Debt/PBDIT | Times | 5.19 | 4.20 | 2.73 |
| Gross Current Assets (Days) | Days | 51 | 48 | 60 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

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

Contacts

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About Acuité Ratings & Research:

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