

Press Release

Jaycee Strips And Fasteners Private Limited

July 10, 2018



Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 17.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs. 17.00 crore bank facilities of Jaycee Strips And Fasteners Private Limited. The outlook is '**Stable**'.

Jaycee Strips and Fasteners Private Limited (JSFPL) is an Amritsar based company was incorporated in 1995 and promoted by Aggarwal family. The company is engaged in the automobile dealership for Maruti Suzuki and NEXA. Moreover the company is also engaged in manufacturing of tractor spare parts for various tractor manufacturing companies.

Key Rating Drivers

Strengths

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

JSFPL commenced operations in 1995. The company benefits from its long track record of operations and experienced management. The Directors, Mr Rakesh Kumar Aggarwal, Mr Naresh Aggarwal, Suresh Aggarwal and Mr. Kanav Aggarwal have around two decades of experience in the auto component industry. ACUITE believes that JSFPL will continue to benefit from its experienced management.

- **Increase in revenue**

The revenue increased to Rs. 200.59 crore in FY2016-17 from Rs. 145.34 crore in FY2015-16. The growth in the revenue is primarily due to the dealership of NEXA taken by JSFPL. The revenue booked by the company till September, 2017 is around Rs. 123.22 crore.

Weaknesses

- **Average financial risk profile**

JSFPL has average financial risk profile marked by tangible networth of Rs.5.67 crore as on 31 March, 2017 as against Rs. 4.08 crore as on 31 March, 2016. The gearing stood at 9.53 times as on 31 March, 2017 compared to 10.35 times as on 31 March, 2016. JSFPL has modest interest coverage ratio of 1.32 times in FY2016-17 as against 1.31 times in FY2015-16. The company has debt service coverage ratio (DSCR) of 1.29 and 1.30 times for FY2017 and FY2016 respectively.

- **Intense competition in automobile industry**

JSFPL faces intense competition from several players in the auto component manufacturing industry. The company is exposed to customer concentration risk arising from high dependence on orders received from major customers including Mahindra & Mahindra and Sonalika. JSFPL derived around 60 per cent sales from its automobile dealership business

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JSFPL to arrive at this rating.

Outlook: Stable

Acuité believes that the outlook on JSFPL rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenue and profitability while achieving significant

improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue, profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 200.59 | 145.34 | 107.47 |
| EBITDA | Rs. Cr. | 6.91 | 5.46 | 4.17 |
| PAT | Rs. Cr. | 0.15 | 0.15 | 0.04 |
| EBITDA Margin | (%) | 3.44 | 3.76 | 3.88 |
| PAT Margin | (%) | 0.08 | 0.10 | 0.04 |
| ROCE | (%) | 10.50 | 11.08 | 20.04 |
| Total Debt/Tangible Net Worth | Times | 9.53 | 10.35 | 7.55 |
| PBDIT/Interest | Times | 1.32 | 1.31 | 1.28 |
| Total Debt/PBDIT | Times | 7.83 | 7.73 | 7.11 |
| Gross Current Assets (Days) | Days | 129 | 141 | 154 |

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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 |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 17.00 | ACUITE BB- / Stable |

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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.

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