

Press Release

Jay Vijay Metals Private Limited

August 30, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.80 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.19.80 crore bank facilities of Jay Vijay Metals Private Limited (JVMPL). The outlook is '**Stable**'.

The Aurangabad based, Jay Vijay Metals Private Limited was incorporated in 2014 by Mr. Shrenik Katariya and Mrs. Seema Balasaheb Bhalgat. The commercial production started from January 2016 with installed capacity of 5000 MT/annum. The company is engaged in manufacturing of aluminium casting products which is used as an intermediary product in automobile, engineering, furniture industry among others.

Analytical Approach

Acuité has considered standalone business and financial risk profile of JVMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of management in metal industry**

The management of the company has experience of two decade in metal industry. Further, Mr. Siddharth Satish Katariya and Mr. Ravindra Kanakmal Katariya are also involved in day to day management of the company. The long standing presence of the management has helped in acquiring customers for the company.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by adjusted net worth of Rs.7.71 crore as on March 31, 2018 (Provisional). For arriving at the adjusted net worth, the interest-free unsecured loan of Rs.3.50 crore from related parties has been treated as quasi-equity as same will be maintained in the business till the tenure of bank loan. The debt to equity ratio has improved from 2.52 times in FY2016-17 to 1.77 times in FY2017-18 (Provisional). The interest coverage ratio improved from 1.50 times in FY2016-17 to 1.89 times in FY2017-18 (Provisional). Further, the debt service coverage ratio (DSCR) also improved from 1.52 times in FY2016-17 to 1.90 times in FY2017-18 (Provisional). Acuité expects the company to improve its financial risk profile going forward on account of repayment of long term borrowings and improvement in net worth.

Weaknesses

- **Competitive and fragmented industry**

The company faces stiff competition from several organised and unorganised players in the metal industry. This also restricts the pricing and bargaining power against its customers. However, the company has been able to improve its EBITDA margins from 4.28 percent as on March 31, 2017 to 5.27 percent as on March 31, 2018 (Provisional).

- **Profitability susceptible to fluctuation in raw material prices**

The raw material, aluminium ingots and billets, are fluctuating in nature. Any adverse movement in the price of raw material will have bearing on the profitability margins.

Outlook: Stable

Acuité believes that JVMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	66.19	65.04	13.52
EBITDA	Rs. Cr.	3.95	2.78	0.46
PAT	Rs. Cr.	1.58	0.65	0.03
EBITDA Margin	(%)	5.97	4.28	3.44
PAT Margin	(%)	2.39	1.00	0.19
ROCE	(%)	17.16	12.31	3.44
Total Debt/Tangible Net Worth	Times	1.77	2.52	2.55
PBDIT/Interest	Times	1.89	1.50	1.54
Total Debt/PBDIT	Times	3.45	5.51	29.59
Gross Current Assets (Days)	Days	159	83	350

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	10.30	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+

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About Acuité Ratings & Research:

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