

Press Release

Jaydeep Tubes Private Limited

December 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 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. 8.50 crore bank facilities of Jaydeep Tubes Private Limited (JTPL). The outlook is '**Stable**'.

JTPL, based at Mumbai, was established in 1999. The company is into manufacturing and supply of brass, copper, aluminum brass pipes, tubes and sheets. The manufacturing facility is located at umbergaon (Gujarat) with installed capacity of 200 MT per year.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record**

JTPL is in the same line of business for more than two decades and has established its market for their products. The Promoters, Mr. Ashok Shah and Mr. Mukesh Shah have more than two decades of experience in same line of business. The promoters' rich experience has benefited the company to get recurring orders and regular supply of raw materials from its suppliers.

- **Improving revenue**

JTPL's operating revenue is growing at 24.12 percent Compounded Annual Growth Rate (CAGR) since 2016. The operating revenue has increased to Rs.25.72 crore in FY2018 as compared to Rs.13.94 crore in FY2017. The increase in revenue by 84.45 percent from previous year is due to optimal capacity utilisation and adding new customers during the year. The company has already achieved revenue of Rs.25.30 crore till September 2018. The order book stood at Rs.7.70 crore to be executed in upcoming three months providing revenue visibility over the medium term.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate net worth of Rs.5.28 crore as on 31 March, 2018 as compared to Rs.4.94 crore as on 31 March, 2017. The gearing ratio (debt-equity) stood at 1.09 times as on 31 March, 2018 and 1.12 times as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 2.59 times for FY2018 as compared to 2.41 times for FY2017. The Debt Service Coverage Ratio (DSCR) stood at 1.17 times in FY2018 which has decreased from 2.33 times in FY2017.

• **Working capital intensive nature of operations**

The company's working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 171 days in FY2018 and 220 days in FY2017. The high GCA days is marked by increase in debtor days to 48 in FY2018 as compared to 42 days in FY2017. The bank limit utilisation for working capital facilities stood at 90.30 percent for last six month ending September 2018.

• **Susceptibility of margins to volatility in raw material prices**

The major raw materials required for manufacturing is copper. The prices of the same are fluctuating in nature; therefore, the operating profit margins of JTPL are susceptible to raw material price fluctuation. The same can be noticed in FY2018, where operating margins have declined to 6.50 percent as compared to 9.78 percent in the previous year.

Outlook: Stable

Acuité believes that the outlook for JTPL will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if JTPL is able to improve its working capital cycle and successfully scale up operations while improving its margins. Conversely, the outlook may be revised to 'Negative' if the company registers significant decline in its revenues or margins, or if there is elongation in its working capital cycle affecting its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.72	13.94	13.45
EBITDA	Rs. Cr.	1.67	1.36	1.00
PAT	Rs. Cr.	0.30	0.09	0.03
EBITDA Margin	(%)	6.50	9.78	7.46
PAT Margin	(%)	1.18	0.67	0.20
ROCE	(%)	9.89	6.90	14.13
Total Debt/Tangible Net Worth	Times	1.09	1.12	1.09
PBDIT/Interest	Times	2.59	2.41	1.66
Total Debt/PBDIT	Times	3.37	3.96	5.25
Gross Current Assets (Days)	Days	171	220	159

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

India Ratings and Research vide its press release dated 22 September, 2017 had denoted the rating of Jaydeep Tubes Private Limited as 'IND B+ (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE A4+

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 02249294032 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

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