

Press Release

Jaycee Steels Private Limited (JSPL)

May 06, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 13.00 crore bank facilities of Jaycee Steels Private Limited. The outlook is '**Stable**'.

Ghaziabad, Uttar Pradesh based Jaycee Steels Private Limited (JSPL) was incorporated in July 1986 by Mr. Brij Mohan Sachdeva and Mrs. Shakti Sachdeva. The company is engaged in the manufacturing of auto-parts (cylinder blocks, spare parts, piston, piston rings, etc.) for two-wheeler and three-wheeler vehicles and parts for the industrial machinery. The manufacturing plant of the company is located in Ghaziabad, Uttar Pradesh. The company sells its products to automobile component manufacturers, industrial machinery manufacturers and also in the local replacement markets in Uttar Pradesh and nearby states.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced track record of operations and experienced management

JSPL was incorporated in 1986, thus the company has an operational track record of around three decades in automotive industry. Mr. Brij Mohan Sachdeva (Director) and Mrs. Shakti Sachdeva (Director) have an experience of over three decades in the aforementioned line of business. The long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers. Acuite believes that JSPL will sustain its existing business profile on the back of established track record of operations and experienced management.

• Above average financial risk profile

JSPL has a healthy financial risk profile marked by comfortable gearing and comfortable coverage indicators. The net worth stood at Rs.11.37 crore as on 31 March, 2018 as against Rs.8.70 crore as on March 2017 on account of healthy accumulated profits. The gearing (debt-to-equity) stood at 0.88 times as on 31 March, 2018 as against 1.05 times as on 31 March, 2017. The debt service coverage ratio (DSCR) stood at 1.64 times in FY2018 as against 1.32 times in FY2017. Further, the company has a moderate interest coverage ratio (ICR) of 1.80 times in FY2018 as against 1.63 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 1.60 times as on 31 March, 2018 as against 1.77 times as on 31 March, 2017.

Weaknesses

• Moderate scale of operations with moderate profitability margins

The company reported moderate revenue growth marked by operating income of Rs. 23.00 crore in

the FY2018 as against Rs. 19.56 crore in FY2017. The profitability margin as marked by PBDIT, continues to remain moderate at 9.07 per cent in FY2018. Though, due to high interest, Net Profit Margin remains restricted at 1.15 per cent in FY2018.

• **Working capital intensive nature of operation**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 342 days in FY2018 as against 300 days in FY2017. GCA days remained high due to high inventory holding period and debtor collection period. Inventory holding period stood at 210 days and debtor collection period stood at 126 days in the FY2018. Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of the level of inventory to be maintained and the credit given to its customers.

• **Highly competitive and fragmented nature of industry**

JSPL operates in a highly fragmented industry with large number of organized and unorganized players present in the market exposing it to intense competition. However the risk is mitigated to an extent on account of established track record of operations.

Liquidity position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.03 crore for FY2018 while its maturing debt obligations were Rs. 0.17 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 1.00 crore to Rs. 1.70 crore during 2019-22 against no major repayment obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 342 days for FY2018. The working capital limit remains utilized at 90-100 per cent during the last 6 months period ended on March, 2019. The company maintains unencumbered cash and bank balances of Rs. 0.01 crore as on 31 March 2018. The current ratio stands at 1.26 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that JSPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.87	23.00	19.56
EBITDA	Rs. Cr.	2.26	2.09	1.69
PAT	Rs. Cr.	0.25	0.27	0.02
EBITDA Margin	(%)	6.12	9.07	8.66
PAT Margin	(%)	0.68	1.15	0.11
ROCE	(%)	7.41	6.77	7.03
Total Debt/Tangible Net Worth	Times	0.82	0.88	1.05
PBDIT/Interest	Times	1.75	1.80	1.63
Total Debt/PBDIT	Times	4.57	4.79	5.28
Gross Current Assets (Days)	Days	212	342	300

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

CARE, vide its press release dated March 07, 2018 had denoted the rating of Jaycee Steels Private Limited as 'CARE B/Stable/CARE A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CARE BB-/Stable/CARE A4' vide its press release dated April 05, 2018.

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 (Up to 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
Term loans	Not Applicable	Not Applicable	Not Applicable	0.26	ACUITE BB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE BB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.24	ACUITE BB- / Stable (Assigned)

*Includes sublimit of Packing Credit to the extent of Rs. 2.00 crore.

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About Acuité Ratings & Research:

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