

Press Release

Jaycee Steels Private Limited

July 29, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the 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 (JSPL). The outlook is '**Stable**'.

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

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

Key Rating Drivers

Strengths

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

JSPL was incorporated in 1986, 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. Acuité believes that JSPL will sustain its existing business profile on the back of an established track record of operations and experienced management.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of the company is weak, marked by below-average net worth and average debt coverage indicators. The net worth levels of JSPL have seen significant deterioration, stood at Rs. 6.16 crore as on 31st March, 2020 (Provisional) as against Rs. 5.94 crore as on 31st March, 2019.

Lower profitability has led to moderation in coverage indicators of the company marked by debt-

service-coverage-ratio of 1.47 times as on 31st March, 2020 (Provisional) as against 1.48 times as on 31st March, 2019 and interest coverage ratio remained stable at 1.73 times as on 31st March, 2020 (Provisional). Further, TOL/TNW has improved marginally over the last three years to 3.78 times as on 31st March, 2020 (Provisional) as against 4.05 times as on 31st March, 2019 and 4.16 times as on 31st March, 2018. Further, lower net cash accruals has impacted the liquidity in JSPL, resulted in higher dependence on the working capital limits. Acuité believes that the decline in profitability of the company leading to deterioration in financial risk profile will impinge a negative bias towards the rating.

• Working capital intensive nature of operations

JSPL working capital operations continue to remain intensive as evident from the GCA of 251 days during FY20 (Provisional) as against 266 days in FY19 due to increase in debtor days. Debtor levels have increased to 138 days in FY20 (Provisional) as against 96 days in FY19. The inventory holding period has improved though remained high at 120 days in FY20 (Provisional) as against 175 days in FY19. The working capital intensity is also reflected from the full utilization of its limit during the six months ended March, 2020. Acuité expects the operations of the company to remain working capital intensive on account of the high level of debtors and inventory.

Rating Sensitivity

- Significant improvement in its working capital management.
- Improvement in profitability levels, thereby impacting company's debt coverage indicators.

Material Covenants

None

Liquidity: Stretched

The company has stretched liquidity profile marked by a limited cushion in net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.86 crore for FY2020 (Provisional) as against maturing debt obligations of around Rs. 0.16 crore for the same period. JSPL's working capital operations has remained intensive in FY2020 (Provisional) marked by Gross Current Asset (GCA) days of 251 in FY2020 (Provisional) from 266 days in FY2019. The intensive nature of working capital operations has led to higher reliance in external borrowings indicated by fully utilized working capital limits. The current ratio stood at 1.34 times as on 31 March, 2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.03 crore as on March 31, 2020 (Provisional). Acuité believes that the liquidity profile of the company is likely to improve over the medium term in the absence of any debt-funded capex.

Outlook: Stable

Acuité believes that JSPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	30.44	29.44
PAT	Rs. Cr.	0.23	0.20
PAT Margin	(%)	0.75	0.68
Total Debt/Tangible Net Worth	Times	2.78	2.80
PBDIT/Interest	Times	1.73	1.73

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06 th May, 2020	Term Loans	Long-Term	0.26	ACUITE BB-/ Stable (Assigned)
	Cash Credit	Long-Term	10.00*	ACUITE BB-/ Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Proposed	Long-Term	2.24	ACUITE BB-/ 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
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-/ Stable (Reaffirmed)

Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB-/ Stable (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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