



Press Release
Jaycee Steels Private Limited
November 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	0.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	13.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at ‘**ACUITE BB-**’ (read as **ACUITE double B minus**) and short-term rating at ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs. 13.00 Cr bank facilities of Jaycee Steels Private Limited (JSPL). The outlook is ‘**Stable**’. The rating has been migrated to Regular rating from ‘Issuer non-cooperating’.

Rationale for rating reaffirmation

The rating reaffirmation factors in the company’s established track record of operations of over three decades in the industry and long-standing experience of its management. The rating also factors in the moderate scale of operations which marginally increased to Rs. 32.12 Cr in FY2024 as against Rs. 31.43 Cr in FY2023. In H1FY25 the company reported revenues of ~ Rs. 16.08 Cr as against Rs. 16.49 Cr. in H1FY24. However, the operating profitability margin declined to 7.31% in FY2024 from 8.70 % in FY2023, primarily due to increase in employee cost. Further, the rating is constrained by the below average financial risk profile, intensive nature of working capital operations and stretched liquidity position.

Going ahead, the ability of the company to maintain steady growth in revenue, while maintaining profitability margins and improving its financial risk profile on the back of steady accruals generation will remain key monitorable.

About the Company

Incorporated in 1986, Jaycee Steels Private Limited (JSPL) is based in Ghaziabad and 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. Mr. Brij Mohan Sachdeva & Mr. Varun Sachdeva are the directors of the company. 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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. Acuite believes that JSPL will sustain its existing business profile on the back of an established track record of operations and experienced management.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is below average, marked by low net worth, high gearing, and below average debt protection indicators. The tangible net worth of the company increased to Rs. 6.54 Cr as on March 31, 2024 from Rs. 6.36 Cr as on March 31, 2023 due to accretion of profits to reserves. The total debt of the company stood at Rs. 25.81 Cr. as on March 31, 2024, as against Rs. 24.28 Cr as on March 31, 2023. The debt profile of the company comprises of Rs. 6.36 Cr. of long-term debt, Rs. 12.35 Cr. of short-term debt and Rs. 7.10 Cr of USL. The gearing of the company stood high at 3.95 times as on March 31, 2024 as compared to 3.81 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) of the company stood at 5.00 times as on March 31, 2024 as against 5.24 times as on March 31, 2023. Further, the debt protection metrics of the company stood below average reflected by debt service coverage ratio of 1.11 times for FY2024 as against 0.76 times for FY2023. The interest coverage ratio stood at 1.42 times for FY24 as against 1.34 times for FY23. The net cash accruals to total debt (NCA/TD) stood at 0.03 times as on March 31, 2024 as compared to 0.02 times in the previous year.

Going ahead, the financial risk profile is expected to improve on account of steady accruals generation and in absence any further major debt funded capex over the medium term.

Intensive nature of working capital operations

The working capital operations of the company is intensive in nature, marked by high GCA of 280 days in FY2024 as against 302 days in FY2023. The high GCA days are primarily on account of elevated inventory levels, high debtor days and other current assets, mainly comprising of balances with government authorities and security deposits. The inventory holding period stood at 216 days in FY2024 as compared to 223 days in FY2023. The debtor days stood at 62 days in FY2024 compared to 79 days in FY2023. The average credit period allowed is between 60 and 75 days, with some customers making advance payments. The company also derives support from its creditors. The creditor days stood at 79 days in FY2024 as against 112 days in FY2023. The usual credit allowed by the suppliers is up to 90 days. Furthermore, the average utilization for fund-based limits remained high, averaging around 94.71% over the last 13 months ending Sep 2024.

Going ahead, the ability of the company to manage its working capital operations efficiently will remain a key monitorable.

Rating Sensitivities

- Sustained improvement in scale of operations while maintaining profitability.
- Significant improvement in its working capital management.
- Improvement in profitability levels, thereby impacting company's debt coverage indicators.

Liquidity Position

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. 0.89 Cr for FY2024 as against maturing debt obligations of around Rs. 0.61 Cr in the same tenure. In addition, it is expected to generate cash accrual in the range of Rs. 0.82 – 1.11 Cr as against its maturing repayment obligations in the range of Rs. 0.61- 0.43 Cr over the medium term. The cash and bank balances of the company stood at Rs. 0.06 Cr as on March 31, 2024. Further, the working capital management of the company remained intensive marked by GCA days of 280 days as on 31st March 2024 along with high reliance on working capital limits with average utilisation of fund-based limits at ~94.71% over the past thirteen months ending Sep 2024. The current ratio stands average at 1.26 times as on 31st March 2024 as against 1.29 times as on 31st March 2023.

Acuite believes that going forward, the liquidity position of the company is expected to remain stretched on account of expected modest accruals generation against its maturing repayment obligations in the near to medium term and limited buffer available from the working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	32.12	31.43
PAT	Rs. Cr.	0.18	0.04
PAT Margin	(%)	0.55	0.14
Total Debt/Tangible Net Worth	Times	3.95	3.81
PBDIT/Interest	Times	1.42	1.34

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Aug 2023	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.25	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WC DL)	Long Term	1.25	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
09 Jun 2022	Bank Guarantee/Letter of Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.25	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WC DL)	Long Term	1.25	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.50	Simple	ACUITE A4+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.25	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.25	Simple	ACUITE BB- Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Kirti Berlia Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.