

Press Release

J. C. Fenasia Exports Private Limited (JCFEPL)

23 January, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	SMERA B/Stable (Upgraded)
Short Term Rating	SMERA A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA B' (read as SMERA B)** from '**SMERA B- (read as SMERA B minus)**' and reaffirmed the short term rating of '**SMERA A4 (read as SMERA A four)**' on the Rs 7.50 crore bank facilities of JC Fenasia Exports Private Limited (JCFEPL). The outlook is '**Stable**'.

JCFEPL, established in 2005 by Mr. Naresh Kumar Juneja is engaged in the trading of finished leather sheets, raw hide and manufacturing of leather bags, wallets at Kasba, West Bengal. The company is promoted by Mr. Naresh Kumar Juneja and Ms Minnie Juneja.

Key Rating Drivers

Strengths:

Experienced management

The promoters, Mr. Naresh Kuma Juneja and Mrs. Minnie Juneja, have extensive experience of over a decade in the leather industry.

Reputed client base

The company caters to a reputed client base including Osprey London (United Kingdom), Apparel Fzco (UAE), Neo Complimentos (Spain), Samsonite, Pebble Beach (USA) among others. Revenue from overseas clients constitutes ~ 35 per cent of the total revenue.

Weaknesses:

Moderate scale of operations

Despite commercial operations commencing in FY2005, the revenue of the company has registered a modest Rs.48.48 crore in FY2017 (Provisional) compared to Rs.50.57 crore in FY2016. Revenue till 15 Dec 2017 stood at Rs.35.00 crore.

Low profitability due to the trading nature of business

The company generates around 75 percent revenue from trading. The EBIDTA registered a low of 2.32 percent in FY2017 (Provisional) and FY 2016 on account of limited value addition in trading. JCFEPL incurred net loss of 0.69 percent in FY2017 (Provisional) compared to PAT of 0.37 percent in FY2016.

Below average financial risk profile

The financial risk profile is below average reflected in the high gearing of 2.13 times in FY2017 (Provisional) as against 2.04 times in FY2016. The company posted Interest Coverage Ratio of 1.51 times in FY2017 (Provisional) as against 1.60 times in FY2016 and low net worth of Rs.2.85 crore in FY2017 (Provisional) as against Rs 3.33 crore in FY2016.

Working capital intensive operations

The working capital intensive operations are reflected in the high Gross Current Assets days of 157 in FY2017 (Provisional) as major funds get blocked in debtors. The debtor days stand stretched at 129 in FY2017 (Provisional) as against 166 days in FY2016.

Analytical approach-For arriving at the ratings, SMERA has considered the standalone financial performance and financial risk profile of JCFEPL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that JCFEPL will continue to maintain a stable outlook in the medium term while benefitting from the extensive experience of the management. The outlook may be revised to 'Positive' if the company registers better than expected growth in revenue and profitability or if the working capital management improves. Conversely, the outlook may be revised to 'Negative' if JCFEPL fails to register the expected revenue, profitability or if the financial risk profile further deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17(Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.98	50.97	54.96
EBITDA	Rs. Cr.	1.14	1.17	1.19
PAT	Rs. Cr.	(0.34)	0.19	0.00
EBITDA Margin	(%)	2.32	2.32	2.17
PAT Margin	(%)	(0.69)	0.37	(0.01)
ROCE	(%)	10.06	8.84	8.58
Total Debt/Tangible Net Worth	Times	2.21	2.04	2.13
PBDIT/Interest	Times	1.51	1.60	1.32
Total Debt/PBDIT	Times	5.43	5.79	5.81
Gross Current Assets (Days)	Days	157	182	252

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

None

Any other information

None

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
9 Aug, 2017	Cash Credit	Long Term	3.50	SMERA B- (Indicative)
	Packing Credit	Short Term	3.50	SMERA A4 (Indicative)
	Letter of Credit	Short Term	0.50	SMERA A4 (Indicative)
22 April, 2016	Cash Credit	Long Term	3.50	SMERA B-/Stable (Assigned)
	Packing Credit	Short Term	3.50	SMERA A4 (Assigned)
	Letter of Credit#	Short Term	0.50	SMERA A4 (Assigned)

#Fully interchangeable with Bank Guarantee
***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	NA	NA	NA	3.50	SMERA B/Stable (Upgraded)
Packing Credit	NA	NA	NA	3.50	SMERA A4 (Reaffirmed)
Letter of Credit	NA	NA	NA	0.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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