

Press Release

Chordia Industries

June 05, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.70 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 5.70 crore bank facilities of Chordia Industries. The outlook is '**Stable**'.

The Nagpur-based Chordia Industries (CI) was promoted by Mr. Sohel Amin and Ms. Marya Amin. The firm is engaged in the ginning and pressing of cotton and also sells cotton seeds and oil. The manufacturing facility located at Nagpur, Maharashtra has 48 ginning machines and a pressing machine with capacity to produce 250 cotton bales per day.

Key Rating Drivers

Strengths

- Experienced management**

Promoted by Mr. Sohel Amin and Ms. Maria Amin in 2001, CI was taken over by Mr. Amin and family in July 2015. The promoters have over a decades experience in the aforementioned business resulting in healthy relations with customers and suppliers.

- Proximity to raw material**

The ginning unit is located at Nagpur, Maharashtra known to be one of the cotton producing belts of India. This ensures timely supply of raw material.

Weaknesses

- Uneven revenue trend**

The operating income stood at Rs.28.73 crore for FY2016 as against Rs.40.54 crore for FY2015 and Rs.13.89 crore for FY2014. Further, from April 2016 to March 2017, the firm registered revenue of Rs.31.80 crore.

- Low and declining profitability**

The operating margin stood at 1.82 percent with PAT (profit after tax) of 0.20 percent for FY2016 as against operating margin of 2.93 percent and PAT of 0.24 percent in FY2015. For FY2014, the operating margin stood at 8.10 percent with PAT of 0.17 percent. However, the profitability remains susceptible to volatility in raw material prices.

- Highly fragmented cotton ginning industry**

CI operates in a highly fragmented industry with large numbers of unorganised players. This affects the bargaining power with customers as well as suppliers. Additionally, there's limited value addition in the cotton ginning process resulting in the firm operating at thin profitability.

- Volatility in raw material prices**

The cotton prices are regulated by the government through MSP (Minimum Support Price). However, the purchasing and selling price depends on the prevailing demand-supply situation restricting

bargaining power with suppliers and customers. Any adverse movement in cotton prices further impacts profitability.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Chordia Industries to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook and continue to benefit over the medium term from its established presence in the ginning industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving its operating profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and revenue or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.28.73 crore, as compared with net profit of Rs.0.10 crore on operating income of Rs.40.54 crore in FY2014-15. The tangible net worth stood at Rs.3.67 crore as on March 31, 2016 as against Rs.0.67 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.20	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2023	1.50	SMERA B+ / Stable

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