

Press Release
CHORDIA INDUSTRIES

July 03, 2018

Rating Reaffirmed and Assigned



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.5.41 crore bank facilities of CHORDIA INDUSTRIES.

Further, Acuite has assigned long term rating of **ACUITE B+ (read as ACUITE B plus)** on the Rs.0.29 crore bank facilities of CHORDIA INDUSTRIES. The outlook is '**Stable**'.

Chordia Industries, established in 2001, is a Nagpur-based firm engaged in ginning and pressing of cotton and sells cotton seeds and oil. Erstwhile, the firm was promoted by Mr. Chordia and family but in July 2015, it was taken over by Mr. Sohel Amin and Ms. Marya Amin. The manufacturing unit 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 and established track record of operations**

Chordia Industries has been in operations since 2001. The promoters have around decades of experience in the aforementioned business which has helped in healthy customer and supplier base.

- **Proximity to raw material**

The ginning unit is located in Nagpur, which is known as one of the cotton producing belts of India. This ensures timely supply of raw material.

Weaknesses

- **Low profitability**

The operating margin stood at 1.88 percent (Provisional) with PAT (profit after tax) margin of 0.49 percent (Provisional) for FY2018 as against operating margin of 1.52 percent and PAT margin of 0.42 percent in FY2017. The profitability remains susceptible to volatility in raw material prices.

- **Volatility in raw material prices and government regulations**

Cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices depend on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability.

Acuite believes that Chordia Industries should be able to maintain its operating profitability around existing levels, notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic market.

- **Agro climatic risks**

Cotton is a seasonal crop and the production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of cotton in adverse weather conditions.

• Intense competition in the textile industry

The firm is exposed to intense competition in the highly fragmented textile industry. The firm also faces stiff competition from organised and unorganised players in the domestic market and also from other nations wherein production costs are lower, offering cheaper labour and ease of doing business.

Analytical Approach

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

Outlook: Stable

Acuite believes that Chordia Industries will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	54.96	29.72	28.73
EBITDA	Rs. Cr.	1.03	0.45	0.52
PAT	Rs. Cr.	0.27	0.12	0.06
EBITDA Margin	(%)	1.88	1.52	1.82
PAT Margin	(%)	0.49	0.42	0.20
ROCE	(%)	6.52	4.42	8.94
Total Debt/Tangible Net Worth	Times	1.23	1.54	-
PBDIT/Interest	Times	3.07	3.47	1.42
Total Debt/PBDIT	Times	5.54	10.42	-
Gross Current Assets (Days)	Days	61	73	28

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Jun-17	Cash Credit	Long term	4.20	ACUITE B+/Stable (Assigned)
	Term Loans	Long term	1.50	ACUITE B+/Stable (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	4.20	ACUITE B+/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.21	ACUITE B+/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.29	ACUITE B+/Stable (Assigned)

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About Acuite Ratings & Research:

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