

## Press Release

**C J Corporation**

August 10, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 24.75 Cr.
<b>Long Term Rating</b>	SMERA B- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 24.75 crore bank facilities of C J Corporation. The outlook is '**Stable**'.

C J Corporation (CJ) was established in 2003 by Mr Mahendra Chirawawala & Mr Aditya Chirawawala (64 percent) and Mr Alok Jiwrajka and family (36 per cent share). The firm is engaged in the manufacturing of corrugated boxes, textile tubes, corrugated pallets, container assembly among others at Silvassa.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The management is led by Mr Mahendra Chirawawala, Mr Aditya Chirawawala and others who possess more than a decades experience in the paper box industry. This has helped the firm establish long term relations with customers and suppliers.

#### Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by moderate networth, gearing and average debt protection measures. The networth stood at Rs 22.60 crore in FY2017(Provisional) compared to Rs 20.01 crore in FY2016. The debt equity stood at 1.43 times in FY2017 (Provisional) as against 1.77 times in FY2016. The total debt of Rs 32.35 crore consists of Rs 17.60 crore of unsecured loan from promoters and relatives and Rs 14.75 crore of short term debt. The interest coverage stood at 1.35 times in FY2017 (Provisional) as against 1.16 times in FY2016. Moreover, the Net cash accruals to Total debt (NCA/TD) stood at 0.05 times in FY2017 (Provisional).

- **Working capital intensive operations**

The working capital intensive operations are marked by high gross current asset (GCA) days of 240 in FY2017 (Provisional) as against 235 days in FY2016. This is due to higher debtor days of 125 in FY2017 (Provisional) as against 122 in FY2016. The firm allows credit period of 90 days to its customers. The inventory days are high at 109 in FY2017 (Provisional) and FY2016. The cash credit facility has been fully utilised in the last six months ended June 2017.

- **Susceptibility of profit margins to fluctuations in raw material prices**

The profitability margins are susceptible to fluctuations in raw material prices. The raw material cost constitutes about 80 per cent of the total cost. Adverse movements in the cost of raw material can affect the sales and margins of the firm.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the firm.

### **Outlook: Stable**

SMERA believes that CJ will maintain a stable outlook over the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales and profitability while improving its working capital management. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve envisaged revenue and profitability or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### **About the Rated Entity - Key Financials**

For FY2015-16, the firm registered operating income of Rs 87.33 crore as against PAT of Rs 0.12 crore. For FY2014-15, the firm registered operating income of Rs 90.52 crore as against PAT of Rs 0.90 crore.

### **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	14.75	SMERA B- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4

### **Contacts**

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Shreya Vaidya Analyst - Rating Operations Tel: 033-66201217	

<a href="mailto:shreya.vaidya@smera.in">shreya.vaidya@smera.in</a>	
--	--

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** *A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*