

Press Release

C J Corporation

August 03, 2018

Rating Reaffirmed



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 24.75 Cr. |
| Long Term Rating | ACUITE B- / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

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

C J Corporation (CJC), a partnership firm based Silvassa was established in 2003. The key partners are Mr. Mahendra Chirawawala, Mr. Aditya Chirawawala and Mr. Alok Jiwarajka. The firm is engaged in the manufacturing of corrugated boxes, textile tubes, corrugated pallets and container assembly among others. The manufacturing facility at Silvassa has installed capacity of 21600 MTPA for boxes and 14400 MTPA for tubes.

Key Rating Drivers

Strengths

• Experienced Partners

The key Partners of the firm have more than three decades of experience in the said line of business through their association with other firms. Other partners have over a decade experience in the paper box industry. This has helped the firm establish long term relations with customers and suppliers.

• Reputed clientele

The Partners experience in the paper box industry has helped the firm to establish longstanding relationship with reputed clients like Castrol India Limited, Hindustan Petroleum, Indian oil Corporation and Reliance Industries Limited among others.

Weaknesses

• Average financial risk profile

The average financial risk profile is marked by moderate net worth, gearing and average debt protection metrics. The net worth stood at Rs.12.75 crore in FY2018 (Provisional) as compared to Rs.18.54 crore in FY2017. The debt-equity ratio stood at 2.89 times in FY2018 (Provisional) as against 2.15 times in FY2017. The total debt of Rs.36.86 crore consists of Rs.8.03 crore of unsecured loans from promoters and relatives and Rs.14.96 crore of short term debt. The interest coverage ratio stood at 1.89 times in FY2018 (Provisional) as against 0.94 times in FY2017. Moreover, the net cash accruals to Total debt (NCA/TD) stood at 0.10 times in FY2018 (Provisional).

• Working capital intensive operations

The working capital intensive operations are marked by high Gross Current Asset (GCA) days of 193 in FY2018 (Provisional) and 220 days in FY2017. This is due to higher debtor days of 111 in FY2018 (Provisional) as against 112 days in FY2016. The firm allows credit period of 90 days to its customers. The inventory days also stood high at 70 days in FY2018 (Provisional). The cash credit facility has been utilised at 98.53 percent for the last six months ended July 2018.

• 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 75 percent of the total cost. Adverse movements in the cost of raw material can affect the sales and margins of the firm.

Analytical Approach

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

Outlook: Stable

Acuite believes that CJC will maintain a 'Stable' outlook over the medium term owing to the extensive experience of the Partners. 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

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 104.66 | 86.45 | 87.33 |
| EBITDA | Rs. Cr. | 8.04 | 4.26 | 5.66 |
| PAT | Rs. Cr. | 1.95 | -1.14 | 0.12 |
| EBITDA Margin | (%) | 7.68 | 4.92 | 6.48 |
| PAT Margin | (%) | 1.87 | -1.31 | 0.14 |
| ROCE | (%) | 11.66 | 6.22 | 9.56 |
| Total Debt/Tangible Net Worth | Times | 2.89 | 2.15 | 1.77 |
| PBDIT/Interest | Times | 1.89 | 0.94 | 1.19 |
| Total Debt/PBDIT | Times | 4.50 | 9.05 | 6.13 |
| Gross Current Assets (Days) | Days | 181 | 220 | 236 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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 |
|-------------|---------------------------------|------------|--------------------|-------------------------------|
| 10-Aug-2017 | Cash Credit | Long Term | 14.75 | ACUITE B- / Stable (Assigned) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A4 (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 | 14.75 | ACUITE B- / Stable (Reaffirmed) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A4 (Reaffirmed) |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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