

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

Acuité 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 Jiwrajka. 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

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

Outlook: Stable

Acuité 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)

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About Acuité Ratings & Research:

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