

**Press Release**  
**Chater Bhuj Cotton And Flour Mills**

June 01, 2018

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 9.50 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 9.50 crore bank facilities of Chater Bhuj Cotton and Flour Mills (CBCFM). The outlook is '**Stable**'.

Chater Bhuj Cotton and Flour Mills (CBCFM) established by Mr. Chater bhuj (Proprietor) in 1993. The firm is engaged in manufacturing, processing and trading of Cotton bales, seeds, oil and cakes.

**Key Rating Drivers**

**Strengths**

• **Experience management team**

The promoter Mr. Chater bhuj has over four decades of experience in cotton ginning and trading business. The extensive experience of the promoter has helped CBCFM to maintain long relationships with the customers and suppliers.

• **Average Financial Risk profile**

The financial risk profile is average marked by low networth, high gearing and low interest coverage ratio. The net worth of the company stands at Rs. 2.11 crore as on 31st March, 2017 which has decline from Rs.3.88 crore in the previous year. The gearing (debt equity) stood high at 4.41 times as on March 31st 2017 as against 2.03 times in the previous year. The interest coverage ratio stood at 1.32 times as on FY 2017 as against 1.40 times as on FY 2016.

• **Improvement in working capital cycle**

CBCFM registered improvement in working capital cycle. The Gross Current Asset days stood at 100 in FY2017 as against 142 days in FY2016. Further, the working capital cycle days stood at 68 in FY2017 as against 96 days in FY2016. This is on account of moderate inventory holding period which stood at 27 days in FY2017 as against 8 days in FY2016. The debtor days stood at 70 days for FY2017 as compared to 131 days in FY2016.

**Weaknesses**

• **Low profitability margins**

The EBITDA margin stood low at 1.99 percent against revenue of Rs.55.71 crore for FY2017 compared to 2.66 per cent against revenue of Rs. 40.25 crores in FY2016. Further, the PAT margin declined to 0.38 percent in FY2017 as against 0.57 percent in FY2016.

• **Highly fragmented industry**

CBCFM operates in a highly fragmented industry with large number of unorganised players resulting in low bargaining power with customers, suppliers. Besides, there's limited value addition in the process resulting in the company operating at thin profitability.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the CBCFM for arriving at the rating

### Outlook: Stable

Acuité believes that CBCFM will maintain a stable outlook over the medium term owing to 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 improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if CBCG profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	55.71	40.25	29.03
EBITDA	Rs. Cr.	1.11	1.07	0.80
PAT	Rs. Cr.	0.21	0.23	0.24
EBITDA Margin	(%)	1.99	2.66	2.77
PAT Margin	(%)	0.38	0.57	0.82
ROCE	(%)	9.13	11.32	25.49
Total Debt/Tangible Net Worth	Times	4.41	2.03	2.05
PBDIT/Interest	Times	1.32	1.40	1.63
Total Debt/PBDIT	Times	8.34	7.33	4.76
Gross Current Assets (Days)	Days	100	142	65

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB- / Stable

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### About Acuité Ratings & Research:

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