

Press Release

Chater Bhuj Cotton And Flour Mills

September 30, 2019

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.13.00 crore bank facilities of Chater Bhuj Cotton and Flour Mills (CBFM). The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy of withdrawal.

CBFM, based at Fatehabad (Haryana), was started by Mr. Chater Bhuj (Proprietor) in 1993. The proprietorship concern is engaged in manufacturing, processing and trading of cotton bales, seeds, oil and cakes. It also manufactures and sells mustered oil, atta and wheat. It caters to clients based locally and in Delhi, Ahmedabad to name a few.

Standalone (Unsupported) Rating: ACUITE BB- (Withdrawn)

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the CBFM for arriving at the rating.

Key Rating Drivers

Strengths

• Experienced promoter

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

• Modest financial risk profile

The financial risk profile is modest marked by moderate net worth, gearing and interest coverage ratio. The net worth stood at Rs. 6.01 crore as against Rs. 5.45 crore as on 31 March, 2018 and Rs. 2.11 crore as on 31 March, 2017. The gearing (debt equity) stood moderate at 1.63 times as on 31 March, 2019 as against 1.73 times as on 31 March, 2018, which has improved from 4.41 times as on 31 March, 2017. The debt service coverage ratio and interest coverage ratio stood at 1.33 times for FY2019 as compared to 1.35 times for FY2018.

• Improvement in working capital cycle

CBFM registered improvement in working capital cycle. The Gross Current Asset days improved to 79 days in FY2019 as against 96 days in FY2018. Further, the working capital cycle days stood at 76 days in FY2019 as against 83 for FY2018. This is on account of moderate inventory holding period, which stood at 16 days in FY2019 and 23 days in FY2018. The debtor days stood at 61 days in FY2019 as against 69 days in FY2018 and 70 days in FY2017.

Weaknesses

• Low margins

The EBITDA margin stood low and declined at 1.80 per cent in FY2019 as against 2.07 per cent in FY2018 and 1.99 per cent in FY2017 against revenue of Rs. 70.72 crore in FY2019 as against Rs. 61.07 crore in FY2018. Further, the PAT margin stood at 0.38 per cent in FY2019 as against 0.41 per cent in

FY2018. The vulnerability in raw material prices and implementation of minimum support price have significant impact on margins.

• **Highly competitive and fragmented industry**

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

Rating Sensitivities

Not Applicable

Material Covenants

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	70.72	61.07	55.71
EBITDA	Rs. Cr.	1.27	1.26	1.11
PAT	Rs. Cr.	0.27	0.25	0.21
EBITDA Margin	(%)	1.80	2.07	1.99
PAT Margin	(%)	0.38	0.41	0.38
ROCE	(%)	8.09	8.98	9.13
Total Debt/Tangible Net Worth	Times	1.63	1.73	4.41
PBDIT/Interest	Times	1.33	1.35	1.32
Total Debt/PBDIT	Times	7.58	7.48	8.34
Gross Current Assets (Days)	Days	79	96	100

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities- <https://www.acuite.in/view-rating-criteria-6.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. Cr.)	Ratings/Outlook
21-Sep-2018	Cash Credit	Long Term	9.50	ACUITE BB- / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.50	ACUITE BB- / Stable (Assigned)
01-Jun-2018	Cash Credit	Long Term	9.50	ACUITE BB- / Stable (Assigned)

***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	9.50	ACUITE BB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB- (Withdrawn)

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About Acuité Ratings & Research:

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