

Press Release
CHATER BHUJ COT GIN

June 01, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	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 Cot Gin (CBCG). The outlook is '**Stable**'.

Chater Bhuj Cot Gin (CBCG) is a Fatehabad-based proprietorship firm established by Mr. Prakash Bansal (Proprietor) in 2010. The firm is engaged in manufacturing, processing and trading of Cotton bales, seeds, oil and cakes. It caters to clients in Delhi, Ahmedabad and other cities.

Key Rating Drivers

Strengths

• **Experienced management team**

The Proprietor, Mr. Prakash Bansal is in the business since 2010 and has over three decades of experience in the business. The extensive experience has helped CBCG to reap benefits from strong relationship with the customers and suppliers.

• **Average financial riskprofile**

The financial risk profile is average marked by low net worth, high gearing and low interest coverage ratio. The net worth of the firm stood at Rs.3.41 crore as on 31 March, 2017 which has decline from Rs.5.67 crore in the previous year. The gearing (debt-equity) stood moderate at 2.25 times as on 31 March, 2017 as against 1.36 times in the previous year. The interest coverage ratio stood at 1.58 times as on FY2017 as against 1.75 times as on FY2016.

• **Improvement in working capital cycle**

CBCG registered improvement in working capital cycle. The Gross Current Asset stood at 96 days in FY2017 as against 129 days in FY2016. Further, the working capital cycle days stood at 60 in FY2017 as against 98 in FY2016. This is on account of moderate inventory holding period which stood at 33 days in FY2017 as against 11 days in FY2016. The debtor days stood at 58 for FY2017, which has decreased from 115 days in FY2016.

Weaknesses

• **Highly fragmented industry**

CBCG 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 firm operating at thin profitability.

• **Low profitability margins**

The EBITDA margin stood low at 2.67 percent against revenue of Rs.51.20 crore for FY2017 as compared to 3.26 percent against revenue of Rs.40.20 crore in FY2016. Further, the PAT margin declined to 0.25 percent in FY2017 as against 0.28 percent in FY2016.

Analytical Approach

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

Outlook: Stable

Acuité believes that CBCG 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 the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.20	40.20	22.82
EBITDA	Rs. Cr.	1.37	1.31	1.26
PAT	Rs. Cr.	0.25	0.28	0.28
EBITDA Margin	(%)	2.67	3.26	5.52
PAT Margin	(%)	0.50	0.70	1.22
ROCE	(%)	9.16	9.27	20.99
Total Debt/Tangible Net Worth	Times	2.25	1.36	2.03
PBDIT/Interest	Times	1.58	1.75	1.92
Total Debt/PBDIT	Times	5.62	5.85	4.72
Gross Current Assets (Days)	Days	96	129	106

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