

Press Release

Chater Bhuj Cot Gin

September 21, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr. (Enhanced from Rs.9.50 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the previous facility of Rs.9.50 crore and assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the enhanced facility of Rs.3.50 crore bank facilities of Chater Bhuj Cot Gin (CBCG). The outlook is '**Stable**'.

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.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Experienced management team**

The Proprietor, Mr. Prakash Bansal has over three decades of experience in the same line of business. The extensive experience of promoter has helped CBCG to reap benefits from strong 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.5.23 crore as on 31 March, 2018 as compared to Rs.3.41 crore as on 31 March, 2017. The gearing (debt-equity) stood moderate at 2.16 times as on 31 March, 2018 which has improved from 2.25 times as on 31 March, 2017. Debt Service Coverage Ratio and Interest Coverage Ratio stood at 1.52 times for FY2018 as compared to 1.58 times for FY2017.

- **Improvement in working capital cycle**

CBCG registered improvement in working capital cycle. The Gross Current Asset days improved to 87 in FY2018, which stood at 96 in FY2017 and 129 days in FY2016. Further, the working capital cycle days stood at 77 days for FY2018 as compared to 60 days in FY2017. This is on account of moderate inventory holding period which stood at 27 days in FY2018 and 33 days in FY2017. The debtor days stood at 57 days in FY2018 and 58 days for FY2017.

Weaknesses

- **Decline in margins**

The EBITDA margin stood low at 2.23 percent in FY2018 which has decreased from 2.67 percent in FY2017 inspite of increase in revenue to Rs.68.21 crore in FY2018 as compared to Rs.51.20 crore for FY2017. Further, the PAT margin stood low and declined to 0.46 percent for FY2018 as compared to 0.50 percent in FY2017 and 0.70 percent in FY2016. The vulnerability in raw material prices and implementation of minimum support price had significant impact on margins for FY2018.

- **Highly competitive and fragmented industry**

CBCG operates in a highly fragmented industry with large number of 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.

Outlook: Stable

Acuité believes that CBCG will maintain a 'Stable' outlook over the medium term owing to its 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 the profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in financial risk profile is observed.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	68.21	51.20	40.20
EBITDA	Rs. Cr.	1.52	1.37	1.31
PAT	Rs. Cr.	0.32	0.25	0.28
EBITDA Margin	(%)	2.23	2.67	3.26
PAT Margin	(%)	0.46	0.50	0.70
ROCE	(%)	9.54	9.16	9.27
Total Debt/Tangible Net Worth	Times	2.42	3.48	1.88
PBDIT/Interest	Times	1.52	1.58	1.75
Total Debt/PBDIT	Times	7.41	5.62	5.85
Gross Current Assets (Days)	Days	87	96	129

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
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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB- / Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB-/Stable (Assigned)

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About Acuité Ratings & Research:

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