

Press Release

Chater Bhuj Cot Gin

September 30, 2019



Rating Withdrawn

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Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn a long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.13.00 crore bank facilities of CHATER BHUJ COT GIN (CBCG). The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy of withdrawal.

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.

Standalone (Unsupported) Rating: ACUITE BB-

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CBCG.

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.

- **Modest financial risk profile**

The financial risk profile of CBCG is modest marked by low networth, moderate gearing and interest coverage ratio. The net worth of the company stands at Rs. 5.71 crore as on 31 March, 2019 as compared to Rs. 5.23 crore as on 31 March, 2018. The gearing (debt equity) stood moderate at 2.41 times as on 31 March, 2019, which has improved from 2.16 times as on 31 March, 2018. The Debt Service Coverage ratio and interest coverage ratio stood at 1.41 times for FY2019 as compared to 1.52 times for FY2018.

- **Improvement in working capital cycle**

Chater Bhuj Cot Gin (CBCG) registered improvement in working capital cycle. The Gross Current Asset days improved to 93 days in FY2019, which stood at 87 days in FY2018 and 96 days in FY2017. Further, the working capital cycle days stood at 89 days for FY2019 as compared to 77 days in FY2018. This is on account of moderate inventory holding period which stood at 30 days in FY2019 and 27 days in FY2018. The debtor days stood at 59 days in FY2019 and 57 days for FY2018.

Weaknesses

- **Decline in margins**

The EBITDA margin stood low at 2.41 per cent in FY2019, which has decreased from 2.16 per cent in FY2018 in spite of increase in revenue to Rs. 71.33 crore in FY2019 as compared to Rs. 68.21 crore for FY2018. Further, the PAT margin stood low at 0.50 per cent for FY2019 as compared to 0.46 per cent in FY2018. The vulnerability in raw material prices and implementation of minimum support price has significant impact on margins.

- **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.

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.	71.33	68.21	51.20
EBITDA	Rs. Cr.	1.77	1.52	1.37
PAT	Rs. Cr.	0.35	0.32	0.25
EBITDA Margin	(%)	2.48	2.23	2.67
PAT Margin	(%)	0.50	0.46	0.50
ROCE	(%)	9.13	9.54	9.16
Total Debt/Tangible Net Worth	Times	2.41	2.16	2.25
PBDIT/Interest	Times	1.41	1.52	1.58
Total Debt/PBDIT	Times	7.57	7.41	5.62
Gross Current Assets (Days)	Days	93	87	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Trading entities- <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.smerra.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)

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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