

JCT Limited
February 04, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	90.00	CARE D (Single D)	Revised from CARE B; Stable
Short term Bank Facilities	105.30	CARE D (Single D)	Revised from CARE A4
Total	195.30 (Rs. One hundred Ninety Five crore and thirty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has revised the ratings for bank facilities of JCT Limited (JCT) to 'CARE D'. Facilities with this rating are in default or are expected to be in default soon. The revision in the ratings of bank facilities of JCT takes into account instances of delays in servicing of the due debt obligations by the company.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely Servicing of debt obligations for more than 3 months.

Detailed description of the key rating drivers**Key Rating Weaknesses****Instances of delays in servicing of debt obligations**

The company has reported instances of delays in servicing of its debt obligations related to the bank facilities and term loans. There have been instances of devolvement of letter of credit (LC) in the month of July and August 2020 leading to overutilization in cash credit limits which were later regularized. Also, as per the notes to accounts for 9MFY21 (refers to the period April 01 to December 31) financials, due to financial crunch in COVID-19 situation and also because of non-granting of moratorium/ restructuring under the RBI's COVID 19 regulatory package to the company, there have been certain delays in payment of term debt obligations which were not rated by CARE.

Weak financial risk profile

The total operating income of the company has reduced from Rs. 804.61 crore as on March 31, 2019 to Rs. 696.38 crore as on March 31, 2020 on account of sub-optimal levels of operations on account of lower availability of raw materials due to stretched liquidity position for the company. The losses of the company widened from Rs. 23.88 crore in FY19 to Rs. 44.56 crore in FY20 due to the moderation in total operating income in the fiscal. The margins at the operating level declined from 4.57% in FY19 to 0.12% in FY20. The continuous loss has resulted in erosion of its networth from Rs. 64.56 crore in FY19 to Rs. 19.14 crore in FY20. The overall gearing of the company deteriorated from 3.03x as on March 31, 2019 to 9.11x as on March 31, 2020. JCT reported improvement in profitability metrics in 9MFY21 with PBILDT margins of 10.91% in 9MFY21 as against 1.38% in 9MFY20, however, there has been moderation in topline from Rs. 541.06 in 9MFY21 to Rs. 451.15 in 9MFY20.

Key Rating Strengths***Experienced promoters and established track record***

JCT is the part of Punjab based Thapar group. As a part of the Thapar family settlement JCT went to Mr. MM Thapar. As per the family settlement JCT Limited is the only company under the management of MM Thapar family. Mr. Samir Thapar, son of Mr. MM Thapar is the Chairman and Managing Director of the company and

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

looks after the day to day activities of the company. Mr. Thapar is supported by a team of experienced professionals. JCT has long track record of more than six decades and has established itself as a renowned brand in India.

Liquidity: Stretched

The liquidity of the company is stretched with high utilization of working capital limits with an average utilization of 96% for the last 12 months ending January 2020. The cash and bank balance as on December 31, 2021 stood at Rs. 1.22 crore. As per RBI guidelines dated March 27, 2020 and May 23, 2020, companies can avail a moratorium of 6 months on their payment obligations due during the period March –August 2020. The company had requested the same from CARE rated working capital lenders Bank of Baroda, Punjab National Bank and Allahabad Bank which has been approved.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology- Cotton textiles](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

JCT Limited (JCT) was incorporated as Jagatjit Cotton Textile Mills Limited in October 1946 and subsequently renamed to JCT in 1989. JCT is the part of Punjab based Thapar group. JCT is engaged in manufacturing of cotton, synthetic & blended fabrics and nylon filament yarn at its integrated textile facility in Phagwara (Punjab) and filament yarn facilities in Hoshiarpur (Punjab). JCT has installed capacity of 1,50,000 meters per day of cotton/blended fabrics and 50,000 meters per day of synthetic fabrics at its plant at Phagwara and 16000 Tonnes Per Annum (TPA) of nylon filament yarn at Hoshiarpur plant.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	804.61	696.38
PBILDT	36.74	0.86
PAT	-23.38	-44.56
Overall gearing (times)	3.03	9.11
Interest coverage (times)	0.92	0.02

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	90.00	CARE D
Fund-based - ST-Packing Credit in Foreign Currency	-	-	-	0.30	CARE D

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	105.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fixed Deposit	LT	-	-	-	1)Withdrawn (09-Mar-20)	1)CARE B (FD); Stable (24-Jan-19) 2)CARE D (FD) (10-Aug-18)	1)CARE B (FD); Stable (03-Oct-17) 2)CARE B (FD); Stable (10-Apr-17)
2.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE B; Stable (03-Oct-17) 2)CARE B; Stable (10-Apr-17)
3.	Fund-based - LT-Cash Credit	LT	90.00	CARE D	-	1)CARE B; Stable (09-Mar-20)	1)CARE B; Stable (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE B; Stable (03-Oct-17) 2)CARE B; Stable (10-Apr-17)
4.	Fund-based - ST-Packing Credit in Foreign Currency	ST	0.30	CARE D	-	1)CARE A4 (09-Mar-20)	1)CARE A4 (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)
5.	Non-fund-based - ST-BG/LC	ST	105.00	CARE D	-	1)CARE A4 (09-Mar-20)	1)CARE A4 (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)

Annexure3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-Packing Credit in Foreign Currency	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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