

JANUARY 08, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF AI CHAMPDANY INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	98	CARE BBB (Triple B)	Reaffirmed
Short-term Bank Facilities	59.84	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	157.84		

Rating Rationale

The ratings continue to draw strength from the long & satisfactory track record of AI Champdany Industries Ltd (AICIL), more than four decades of experience of the promoters in the jute industry, the company's leadership position in the jute industry, strong presence in the export market and government support for jute industry. The ratings also take note of large unencumbered freehold land bank possessed by the company.

The ratings are, however, constrained by profitability being sensitive to volatility in raw-material prices, labour-intensive operations and labour problems associated with the industry, low capacity utilisation & operating margin and stiff competition in the export market. The ratings also factor in the moderation in financial risk profile in FY14 (refers to the period April 1 to March 31) and H1FY15 due to reduced inflow of government orders. The ability to improve capacity utilisation & profitability margins by introducing value-added products, maintain cordial labour relations and effective working capital management are the key rating sensitivities.

Background

AICIL, incorporated in 1873, was taken over by the Kolkata-based Wadhwa group from James Finlay & Co., U.K in 1967. Over the years, AICIL has expanded its capacity through organic and inorganic route. Currently, AICIL is one of the major players in the jute industry, with an installed capacity of 113,486 Mtpa.

In 1994, AICIL acquired 100% stake in loss making Anglo India Jute Mills. The company now proposes to sell its "Middle Mill" unit and is in discussions with the potential buyers.

During FY14, AICIL reported a PAT (after deferred tax) of Rs.1.18 crore (Rs.0.43 crore in FY13) on total operating income of Rs.340.03 crore (Rs.353.84 crore in FY13).

In H1FY14, the company incurred net loss of Rs.1.05 crore on total operating income of Rs.138.11 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

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CIN - L67190MH1993PLC071691