JUNE 13, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	106.32	**CARE BB (Double B)**	Revised from CARE BBB- (Triple B Minus)
Short-term Bank Facilities	59.84	**CARE A4 (A Four)**	Revised from CARE A3 (A Three)
Total Facilities	**166.16 (Rupees One Hundred Sixty Six crore and Sixteen lakh only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of AI Champdany Industries Limited (AICIL) takes into account the continued decline in profitability in 9MFY16 (refers to the period April 1 to December 31), temporary suspension of work at the major jute manufacturing unit of the company in March 2016 due to shortage of raw material and low productivity and stretch on liquidity due to the aforesaid factors. The ratings also factor in the completion of sale of the loss making "Middle Mill" unit of Anglo India Jute Mill of the company.

The ratings continue to be constrained by the exposure to volatility in raw-material prices, labour intensive operations and labour problems associated with the industry, low capacity utilization & operating margin and stiff competition in the industry.

The ratings, however, continue to draw strength from the long track record of AICIL and more than four decades of experience of the promoters in the jute industry, support from the promoters and possession of large unencumbered freehold land bank by the company.

The ability to recommence operations at the major jute unit, improve capacity utilization & profitability margins, maintain cordial labour relations and effective working capital management are the key rating sensitivities.

Background

AICIL, incorporated in 1873, was taken over by 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.

The company is engaged in manufacturing and selling of jute products (sacking bags, hessian cloth, furnishing items, etc.) used in packaging of food grains, carpet industry, furniture, etc., at its units in West Bengal. The company exports a wide range of value added products (geo textile, webbing, yarn and flax fibre) which commands premium in the international market.

On total operating income of Rs.305.38 crore, AICIL reported net loss of Rs.4.13 crore in FY15 vis-à-vis PAT (after deferred tax) of Rs.1.18 crore on total operating income of Rs.340.03 crore in FY14.

In 9MFY16, the company reported net loss of Rs.4.80 crore (loss of Rs.0.85 crore in 9MFY15) on total operating income of Rs.149.85 crore (Rs.195.57 crore in 9MFY15).

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

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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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