December 22, 2015

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 [Enhanced from Rs.98.0 crore]	**CARE BBB- (Triple B Minus)**	Revised from CARE BBB (Triple B)
Short Term Bank Facilities	59.84	**CARE A3 (A Three)**	Revised from CARE A3+ (A Three Plus)
Total Facilities	**166.16 (Rs. 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 deterioration in financial risk profile in FY15 (refers to the period April 1 to March 31) and H1FY16 due to reduced inflow of orders and increase in raw material cost. The ratings 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, the company's leadership position in the jute industry, strong presence in the export market, government support for jute industry and possession of large unencumbered freehold land bank by the company.

The ratings, however, continue to be constrained by profitability being sensitive 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 domestic and export market.

The ability to improve capacity utilization & 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 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.

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.

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.

On total operating income of Rs.305.38 crore, BILIL 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 H1FY16, the company reported net loss of Rs.3.23 crore (loss of Rs.1.05 crore in H1FY15) on total operating income of Rs.100.60 crore (Rs.138.11 crore in H1FY15).

[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**

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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.

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