

JC Fenacia Exports Private Limited
 December 28, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.50	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	7.50 (Rs. Seven Crore and Fifty Lakhs Only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from JC Fenacia Exports Private Limited (JCFEPL) to monitor the ratings vide e-mail communications/letters dated June 10, 2020, October 21, 2020, November 10, 2020, December 09, 2020 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, JCFEPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on JCFEPL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING/CARE A4; ISSUER NOT COOPERATING**. Further, banker could not be contacted.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed Rationale & Key Rating Drivers**Key Rating Weaknesses****Small scale of operations with low profit margins**

The scale of operations of the company remained small marked by total operating income of Rs.30.17 crore (Rs. 34.66 crore in FY19) and PAT of Rs.0.11 crore (PAT of Rs.0.11 crore in FY19) in FY20 (prov.). Further the total capital employed was also moderate at Rs.9.77 crore as on March 31, 2020 (prov.). The small size restricts the financial flexibility of the company in times of stress and it suffers on account of lack of economies of scale.

The government of India has allowed the entities situated in industrial area to commence operations from April 30, 2020 after the lockdown was imposed on March 25, 2020 onwards. The company applied for E pass, which was granted on May 10, 2020. The company has started operation from May 26, 2020 onwards after maintaining proper safety arrangements in its business premises adhering to government guidelines. Accordingly, the company could not generate any operating income till May 2020.

Exposure to volatility in raw material prices

JCFEPL does not have any tannery unit for manufacturing of finished leather, its basic raw material for manufacturing of leather goods like bags, wallet etc. Thus, in the absence of backward integration of its basic raw material, it has to depend upon local suppliers for purchase of finished leather. Accordingly, any adverse movement in prices of raw materials with no corresponding change in final goods prices can have an adverse impact on the profit margins of the entity.

Revenue concentration from European countries with intensely competitive industry

Exports are made to various countries like Spain, Egypt, UAE, Hong Kong etc., the major being to the European countries. It accounts for around 30% of TOI in FY19 and around 28% of TOI of FY20. Uncertainty associated with economic environment in European Union will impact the financial risk profile of its key customers which will in turn affect the business of JCFEPL. The leather industry is highly fragmented with a large number of small to medium scale organized and unorganized players owing to low entry barriers with no visible differentiators in product profile. High competition in the

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

*Issuer did not cooperate; Based on best available information

operating spectrum and small size of the entity limits the scope for margin expansion. Though government policies towards the industry have been supportive both for small-scale sector development as well export promotion, the industry is caught up with socio political issues relating to slaughtering of animals. With the production clustered in 4-5 locations, distribution network becomes the key to success. Many companies in the leather products have a strong distribution network and enter into brand building exercise to improve the sales and market share. Hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

Leveraged capital structure and weak debt coverage indicators

Capital structure of the company remained leveraged owing to its working capital intensive nature of operations resulting in higher dependence on bank borrowings marked by overall gearing ratio of 1.84x as on March 31, 2020 (prov.). Moreover, the debt coverage indicators remained weak marked by moderate interest coverage of 1.41x in FY20 (prov.) and total debt to gross cash accrual ratio of 21.58x in FY20 (prov.).

Key Rating Strengths

Experienced Promoters and long track record of operations

JCFEPL is into manufacturing and exporting of leather goods and trading of finished leathers and leather chemicals since 2005 and thus has long track record of operations. Mr. Naresh Kumar Juneja (aged, 65 years) has around two decades of experience in the same line of business looks after the day to day operations of the company. He is supported by his wife Mrs. Minnie Juneja, son Mr. Nirvik Juneja and a team of experienced professional.

Strategic location of the plant

The manufacturing facility of JCFEPL is located at Kasba Industrial Estate which is in close proximity to the various tanneries situated at Calcutta Leather Complex for sourcing of finished leather, the main raw material for manufacturing of fashion leather products. Accordingly, the availability of raw materials is not an issue. Further the manufacturing plant has ample supply of cheap labour. Moreover, the company exports major part of its products to overseas market through vessels from Kolkata port. Thus, the company gets the benefit of its location.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch'](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology - Wholesale Trading](#)
[Criteria for Short Term Instruments](#)
[Financial ratios – Non-Financial Sector](#)

About the Entity

West Bengal based J.C. Fenasia Exports Pvt. Ltd. (JCFEPL) incorporated in February 2005, was promoted by Mr. Naresh Kumar Juneja, Mrs. Minnie Juneja and Mr. Nirvik Juneja. Since its inception, JCFEPL has been engaged in manufacturing and exporting of leather goods and trading of finished leathers and leather chemicals. The manufacturing facility of the company is located at Kasba, West Bengal with an installed capacity of 10000 pieces per month (leather bags) and 25000 pieces per month (wallets). The company earns major revenue from trading activities accounting for around 72% of total operating income in FY20 (prov.) and remaining from manufacturing and license sales. The manufacturing facility of the company has an ISO 9001:2008 certification which enables wide acceptance of its products in the market. The company procures its entire raw materials from domestic market whereas it sells its products both in the domestic as well as international market. The major export destinations of the company are various European Countries and gulf countries. J.C. Fenasia Exports Pvt. Ltd. has an associate concern 'Fenasia Limited.' which is engaged in manufacturing of leather chemicals.

Brief Financials (Rs. crore)	FY19(A)	FY20(Prov.)
Total operating income	34.66	30.17
PBILDT	1.01	1.18
PAT	0.11	0.11
Overall gearing (times)	2.07	1.84
Interest coverage (times)	1.65	1.41

A: Audited, Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Details of Facilities: Annexure-1

Rating History of last three years: Annexure-2

Detailed explanation of covenants of the rated facilities: Annexure-3

Complexity level of various instruments rated for this Company: Annexure-4

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	-	-	-	3.50	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-EPC/PSC	-	-	-	3.50	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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.	Fund-based - LT-Cash Credit	LT	3.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (11-Oct-19)	-	-
2.	Fund-based - LT-EPC/PSC	LT	3.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (11-Oct-19)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (11-Oct-19)	-	-

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable.

Annexure 4: 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 - LT-EPC/PSC	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: 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.

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact:

Name: Soumen Das

Contact No.: 033-40581907

Email: soumen.das@careratings.com

Relationship Contact

Name: Sambit Das

Contact no. : 033 40581904

Email ID: sambit.das@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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