

**JCT Limited**

March 09, 2020

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	90.00 (increased from 73.80)	CARE B; Stable (Single B; Stable)	<b>Reaffirmed</b>
Short term Bank Facilities	105.30 (increased from 91.27)	CARE A4 (A Four)	<b>Reaffirmed</b>
<b>Total</b>	<b>195.30</b> <b>(Rs. One hundred Ninety Five crore and three lakh only)</b>		

**Detailed Rationale & Key Rating Drivers**

The reaffirmation of ratings assigned to the bank facilities of JCT Limited takes into account weak financial risk profile and stretched liquidity position of the company.

The ratings continue to derive strength from its established track record, diversified product mix, wide distribution network and experienced and resourceful promoters running the business since 1946.

Rating Sensitivities

## Positive Factors

- Sustained improvement in PBILDT margins to more than 8%.
- Sustained improvement in operating income to more than Rs 1200 cr.

## Negative Factors

- Reduction in PBILDT Margins to less than 2%.
- Reduction in Operating Income to less than Rs 600 cr

**Detailed Description of Key Rating Drivers****Key Rating Weakness****Weak financial risk profile**

The total operating income of the company has increased marginally from Rs.761.15 crore in FY18 to Rs.804.61 crore in FY19, registering an increase of 5.70%. PBILDT margin increased from 3.05% in FY18 to 4.57% in FY19.

However, the losses of the company widened from Rs. 36.04 crore in FY18 to Rs. 64.24 crore in FY19 due to incremental interest cost of INR 34.94 cr which was the part of the full and final settlement of Rs 103.68 cr to the FCCBs. This is the accumulated interest cost from 8th April 2011 to 3<sup>rd</sup> May 2018 which was not provided in the previous years due to the ongoing settlement. The continuous losses during last three years had resulted in erosion of its networth from Rs. 93.53 crore in FY17 to Rs 58.64cr in FY19.

The overall gearing of the company improved from 4.17x as on March 31, 2018 to 3.34x as on March 31, 2019, however continues to remain high.

During FY19, the dues of the FCCBs Holders have been settled, by payment of Rs. 40 cr and issue of 24,03,00,606 equity share of Rs. 2.50 each at premium of Re. 0.15 each of Rs. 63.68 cr, aggregating to Rs. 103.68 cr.

The interest servicing and principal repayment is being managed via funds released from working capital and sale of non-core assets respectively during the current year.

**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 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. The promoters have supported the company by infusing funds in the company as and when required. The promoters have infused Rs 3.44cr in form of unsecured loans till Jan 20 & Rs 1.6 cr is expected to be infused by Mar 20.

<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Settlement with Foreign Currency Convertible Bonds (FCCBs) holders:**

During FY19, the dues of the FCCBs Holders have been settled, by payment of Rs. 40 cr and issue of 24,03,00,606 equity share of Rs. 2.50 each at premium of Re. 0.15 each of Rs. 63.68 cr, aggregating to Rs. 103.68 cr. The settlement amount includes the interest of Rs. 34.94 cr excluding withholding tax of Rs. 5.92 cr, net of withholding tax pertaining to the period 08.04.2011 to 03.05.2018, has been charged to the Statement of Profit and Loss during the current year as the same was not provided in the respective years due to ongoing settlement and to charge to Statement of profit and loss at the time of its payment as per the practice.

In view of settlement of all the dues of the FCCBs Holders, the case pending in the Hon'ble High Court, will be taken up for withdrawal / disposal.

**Diversified product mix and wide distribution network**

JCT has integrated facilities from yarn to finished fabrics which enable it to provide better quality and wide range of products to its customers. The company offers diversified product mix including cotton, polyester, nylon and various blended fabrics. The company also produces nylon filament yarns and high viscosity nylon 6 chips. The majority of the JCT's products are exported either directly in the form of fabric or in the form of garments after conversion by the domestic garment manufacturers. JCT has wide and strong network of distribution and dealers across the country to supply its products to domestic brands as well as garment converters nominated by international brands or buying houses. JCT also entered into bed & bath segment. The company has further diversified into technical textile segment which offers higher margins.

**Liquidity: Stretched**

JCT's current ratio as on March 31, 2019 stood at 0.78x (PY: 0.64x). JCT availed working capital bank borrowings in the form of cash credit to the tune of Rs.90.00 crore. The working capital limits of the company remains almost fully utilized during the year. The liquidity position of the company is supported by cash and bank balance of Rs.1.20 cr. as on March 31, 2019. (PY: Rs.2.62 cr.) The cash and bank balance as on February 24<sup>th</sup> 2020 was Rs 1.19 cr. The company is planning to monetize its non-core assets amounting to Rs.50 crore which is expected to ease out the liquidity in future. The same though is in initial stages of discussion.

**Analytical Approach:** Standalone

**Applicable Criteria**

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

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

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short-term Instruments](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

**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)	FY18 (A)	FY19 (A)
Total operating income	761.15	804.61
PBILDT	23.20	36.74
PAT	-36.05	-64.24
Overall gearing (times)	4.17	3.34
Interest coverage (times)	0.65	0.45

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

**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 B; Stable
Fund-based - ST-Packing Credit in Foreign Currency	-	-	-	0.30	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	105.00	CARE A4
Fixed Deposit	-	-	-	0.00	Withdrawn

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fixed Deposit	LT	-	-	-	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)	1)CARE B (FD) (07-Apr-16)
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)	1)CARE B (07-Apr-16)
3.	Fund-based - LT-Cash Credit	LT	90.00	CARE B; Stable	-	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)	1)CARE B (07-Apr-16)
4.	Fund-based - ST-Packing Credit in Foreign Currency	ST	0.30	CARE A4	-	1)CARE A4 (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)	1)CARE A4 (07-Apr-16)
5.	Non-fund-based - ST-BG/LC	ST	105.00	CARE A4	-	1)CARE A4 (24-Jan-19) 2)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)	1)CARE A4 (07-Apr-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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