

JCT Limited

January 24, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	73.80 (reduced from Rs. 158.28 crore)	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE D (Single D)
Short term Bank Facilities	91.27 (reduced from Rs. 136.27 crore)	CARE A4 (A Four)	Revised from CARE D (Single D)
Total	165.07 (Rs. One hundred Sixty Five crore and Seven lakh only)		
Medium term instrument- Fixed Deposit	20.00 (Rs. Twenty crore only)	CARE B (FD); Stable [Single B (Fixed Deposit); Outlook Stable]	Revised from CARE D (FD) [Single D (Fixed Deposit)]

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities and Fixed Deposit of JCT Limited (JCT) takes into account the delay free track record of more than three months in servicing of debt obligations by the company after takeover of entire existing term debt from consortium member by Phoenix ARC Pvt. Ltd. on Sep 28, 2018. The ratings also derives strength from the experienced promoters, its diversified product mix and wide distribution network.

The rating strengths, however, continue to remains constrained due to stretched liquidity position and weak financial risk profile of the company.

Going forward, the ability of the company to improve profitability and strengthen its financial risk profile would remain the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial risk profile

The total operating income of the company has declined from Rs.839.40 crore in FY17 to Rs.764.88 crore in FY18, registering a decline of 8.88%. The moderation in total operating income in FY18 is on account of subdued scenario in the textile industry owing to increased cotton prices, increased competition from the countries like Bangladesh and China owing to higher imports. Further the industry is hampered by the demonetization and GST effect which coupled with high raw material cost (due to high crude oil prices used in the manufacturing of synthetic fabrics and high raw cotton prices used in the manufacturing of natural fabrics in FY18) has resulted in decline in profitability margins throughout the industry. This has led to lower capacity utilization, however, fixed overheads remaining the same. PBILDT margin declined from 4.09% in FY17 to 2.57% in FY18. However PBILDT Margin of the company improved from 0.92% in H1FY18 to 3.92% in H1FY19.

Further, the losses of the company have increased from Rs. 17.26 crore in FY17 to Rs. 36.05 crore in FY18 due to weak operational performance coupled with high interest and depreciation charges. Losses of company stood at Rs. 15.38 crore in H1FY19 as against Rs. 21.11 crore in H1FY18.

Moderate Capital Structure

The continuous losses in FY18 have resulted in erosion of its networth from Rs. 93.54 crore as on March 31, 2017 to Rs. 57.80 crore as on March 31, 2018. The erosion in Networth has led to deterioration in overall gearing of the company from 2.76x as on March 31, 2017 to 4.16x as on March 31, 2018. Further, Rs. 63.68 crore of equity has been infused for paying to its Foreign Currency Convertible Bonds (FCCBs) holder, resulted in increase in equity share capital from Rs. 149.53 crore as on March 31, 2018 to Rs. 209.61 as on Dec 31, 2018.

Stretched Liquidity Position

The liquidity position of the company remained under stress with current ratio of 0.67x and quick ratio of 0.26x as on March 31, 2018. Further, due to working capital intensive operations, company has high reliance on the working capital borrowings and working capital limits of the company remains almost fully utilized for the 12 months period ending Dec, 2018 (Average maximum working capital utilization of around 99%).

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

Key Rating Strengths

Delay free track record for more than three months in servicing of debt obligations

Phoenix ARC Pvt. Ltd. have sanctioned term loan of amount of Rs. 120.00 crore on Sep 21, 2018 out of which Rs. 59.45 crore was disbursed on Sep 27, 2018 for settlement (takeover) of entire term debt from all banks (State Bank of India, Allahabad bank and Punjab National Bank). Since then, the company is paying its debt repayment obligations on timely manner (interest obligations) with first principal repayment obligation due in Sep 2019.

Settlement with Foreign Currency Convertible Bonds (FCCBs) holders

JCT as per consent terms as approved by High Court of Chandigarh in June 2015 with FCCBs Holders was to pay USD 19.19 million (Principal and redemption premium of USD 15.00 million and defaulted interest of USD 4.19 million) in 10 installments commencing from October 05, 2017 to December 05, 2017 along with interest @ 6% pa. However, the dues was not paid by the company due to cash crunch to FCCBs bondholders on due date. The company and bondholders have agreed for one time settlement of the bonds with cutoff date on April 03, 2018. The liabilities was crystalized at Rs. 110.76 crore. Further, the company after receipt of requisite approvals from RBI, BSE, Board of Directors, Shareholders and the lenders have settled Rs. 104.76 crore as on Dec 28, 2018 and balance amount of Rs. 6.00 crore is yet to be paid.

Experienced promoters and established position

JCT is the part of Punjab-based Thapar group. As a part of the Thapar family settlement, JCT went to Mr. M.M. Thapar. Mr. Samir Thapar, son of Mr. M.M. 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.

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.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

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 and is engaged in the 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 16,000 Tonnes Per Annum (TPA) of nylon filament yarn at Hoshiarpur plant.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	839.40	764.88
PBILDT	34.37	19.65
PAT	-17.28	-36.05
Overall gearing (times)	2.76	4.16
Interest coverage (times)	0.92	0.55

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

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.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	73.80	CARE B; Stable
Fund-based - ST-Packing Credit in Foreign Currency	-	-	-	16.50	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	74.77	CARE A4
Fixed Deposit	-	-	-	20.00	CARE B (FD); Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fixed Deposit	LT	20.00	CARE B (FD); Stable	1)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)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)	1)CARE B (04-May-15)
3.	Fund-based - LT-Cash Credit	LT	73.80	CARE B; Stable	1)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)	1)CARE B (04-May-15)
4.	Fund-based - ST-Packing Credit in Foreign Currency	ST	16.50	CARE A4	1)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)	1)CARE A4 (07-Apr-16)	1)CARE A4 (04-May-15)
5.	Non-fund-based - ST-BG/LC	ST	74.77	CARE A4	1)CARE D (10-Aug-18)	1)CARE A4 (03-Oct-17) 2)CARE A4 (10-Apr-17)	1)CARE A4 (07-Apr-16)	1)CARE A4 (04-May-15)

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