

Press Release

Continental Conveyors Private Limited

June 07, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 13.15 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.13.15 crore bank facilities of Continental Conveyors Private Limited (CCPL). The outlook is '**Stable**'.

Continental Conveyors Private Limited (CCPL) is a Delhi based company incorporated in 1996. The company is promoted by Mr. Gurmeet Singh & family. The company is engaged in the manufacturing of rubber conveyor belts for various industries such as sugar mills, paper mills, cement industries etc. The company has a manufacturing facility in Alwar, Rajasthan. The installed capacity of CCPL is around 12,000 meters per month.

Key Rating Drivers

Strengths

- **Experienced management team**

CCPL, incorporated in 1996 is promoted by Mr. Gurmeet Singh, Mr. Sumeet Singh and Inderjit Kaur. The directors are pioneers in the industry marked by experience of more than two decades in the machine tool industry. The long track record in the industry has helped CCPL establish relations with reputed clientele

- **Improvement in working capital cycle**

CCPL's working capital has improved as compared to previous year. Gross current assets (GCA) days have improved to 118 in FY18 (Prov.) as against 145 in FY2017. This was on account of decrease in debtors days which stood at 48 days in FY2018(Prov.) as against 65 days in FY2017 and inventory days of 57 days in FY2018 (Prov.) as against 76 days in FY2017.

Efficient management of working capital will remain crucial for the maintenance of a stable credit risk profile.

Weaknesses

- **Average financial risk profile**

CCPL's financial risk profile is average marked by net worth of Rs. 6.49 as on 31 March 2018 (Prov.) as against 5.38 crore as on 31 March, 2017. Gearing (debt-equity) stood at 1.84 times as on 31 March, 2018 as against 1.88 times as on 31 March, 2017. The total debt of Rs. 11.97 crore as on 31 March, 2017 consists of secured loans of Rs. 7.15 crore and unsecured loans of Rs. 3.56 crore and working capital facility of Rs.1.27 crore. The interest coverage ratio (ICR) stood at 3.86 times for FY2018 (prov.) as against 3.30 times for FY2017. The total outstanding liabilities to total net worth (TOL/TNW) stood at 2.77 times as on 31 March, 2018 (Prov.) as against 2.80 times as on 31 March 2017.

Acuite believes the financial risk profile of the company will remain average marked by moderate net cash accruals.

• Highly fragmented industry

CBCG operates in a highly fragmented industry with large number of unorganised players resulting in low bargaining power with customers and suppliers. Besides, there is limited value addition in the process resulting in the firm operating at thin profitability.

• Moderate scale of operations and profitability

CCPL has registered revenues of Rs. 26.26 in FY2018 (Prov.) as against Rs. 21.85 crore in FY2017. The operating profit margin stood at 13.75 per cent for FY2018 (Prov.) as against 14.28 per cent for FY2017. The net profit (PAT) margin stood at 4.21 per cent for FY2018 (Prov.) as against 2.33 percent for FY2017.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the CCPL to arrive at this rating.

Outlook: Stable

Acuite believes the outlook on CCPL's will continue to benefit from its long standing presence and experience of the management in the material handling and chemical cleaning segment. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue along with improvement in profitability while maintain its liquidity position. The outlook may be revised to 'Negative' if there deterioration in the company's financial risk profile or liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY18 (Prov.) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income | Rs. Cr. | 26.26 | 21.85 | 14.76 |
| EBITDA | Rs. Cr. | 3.61 | 3.12 | 1.90 |
| PAT | Rs. Cr. | 1.11 | 0.49 | 0.65 |
| EBITDA Margin | (%) | 13.75 | 14.28 | 12.86 |
| PAT Margin | (%) | 4.21 | 2.23 | 4.39 |
| ROCE | (%) | 22.08 | 10.49 | 10.71 |
| Total Debt/Tangible Net Worth | Times | 1.84 | 1.88 | 2.25 |
| PBDIT/Interest | Times | 3.86 | 3.30 | 4.19 |
| Total Debt/PBDIT | Times | 3.32 | 3.23 | 5.24 |
| Gross Current Assets (Days) | Days | 118 | 145 | 237 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|---------------------|
| Proposed Long Term | Not Applicable | Not Applicable | Not Applicable | 13.15 | ACUITE BB- / Stable |

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About Acuite Ratings & Research:

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