

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

Acuité 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.

Acuité 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

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

Outlook: Stable

Acuité 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

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.