

June 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.64	SMERA BB/Stable (Reaffirmed)
Cash Credit	3.50	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	7.50	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as SMERA double B) and the short-term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.11.64 crore bank facilities of Chemin Controls and Instrumentation Private Limited (CCIPL). The outlook is '**Stable**'. The ratings remain constrained by the company's stagnant revenues, project-based nature of business and working capital-intensive operations. The ratings are also constrained by the company's exposure to customer concentration risk amidst slowdown in the capital goods industry. However, the ratings are supported by the company's moderate financial risk profile, healthy order book position and experienced management.

Update

CCIPL reported revenue of Rs.32.15 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.28.43 crore in FY2012-13. The company reported net sales of ~Rs.27.27 crore in FY2014-15. CCIPL's operating margin improved marginally to 12.07 per cent in FY2013-14 from 11.81 per cent in FY2012-13. However, there has been a decline in operating profits from Rs.3.88 crore in FY2013-14 to Rs.2.32 crore in FY2014-15 (provisional).

The company's tangible net worth stood at Rs.7.01 crore as on March 31, 2014, as compared with Rs.5.20 crore a year earlier. CCIPL's debt-equity ratio stood comfortable at 0.66 times as on March 31, 2014. The company's interest coverage ratio stood at 4.00 times in FY2013-14.

CCIPL has a stretched liquidity position arising from an extended receivables period. The company's liquidity is also constrained on account of retention money and security deposits placed during project execution period. CCIPL's cash credit utilisation is moderate at ~88 per cent during November 2014 to April 2015.

The company has a healthy order book position reflected in the outstanding orders of Rs.13.52 crore (as on May, 2015), which are likely to be executed in FY 2015-16.

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Outlook: Stable

SMERA believes that CCIPL will maintain a stable business risk profile in the medium term. The company will continue to benefit from its experienced management and established relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and profitability and achieves efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues or profit margins, or in case of significant deterioration in the company's capital structure on account of larger-than-expected debt-funded capex.

About the Company

CCIPL, incorporated in 2004, is a Puducherry-based company, established to take over the running businesses of Chemin Consulting Engineers (established in 1981), Chemin Controls, Peruson & Chemin (established in 1987) and Chemin Institute of Instrumentation Management (established in 1999).

CCIPL is engaged in undertaking turnkey instrumentation and electrical projects. The company also provides services for erection and commissioning of control systems. Further, CCIPL undertakes designing and manufacturing of electrification control panels. The company sells its products under the brand name 'Synonymous'. CCIPL is accredited with ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007 certifications. The company has a manufacturing unit in Puducherry, Tamil Nadu.

For FY2013-14, CCIPL reported profit after tax (PAT) of Rs.1.81 crore on operating income of Rs.32.15 crore, as compared with PAT of Rs.1.41 crore on operating income of Rs.28.43 crore in FY2012-13. In FY2014-15, the company achieved revenues of around Rs.27.27 crore (provisional). CCIPL's net worth stood at Rs.7.01 crore as on March 31, 2014, as compared with Rs.5.20 crore a year earlier.

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SMERA RATINGS LIMITED

Chemin Controls and Instrumentation Private Limited (CCIPL)

*Rating
Rationale*

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