

### Chemin Controls and Instrumentation Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	0.28	SMERA BB/Stable (Withdrawal)
Term Loan	0.36	SMERA BB/Negative (Reaffirmed)
Cash Credit	3.50	SMERA BB/ Negative (Reaffirmed)
Bank Guarantee	7.50	SMERA A4+(Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.11.36 crore bank facilities of Chemin Controls and Instrumentation Private Limited (CCIPL). The outlook has been revised from 'Stable' to '**Negative**'. SMERA has also withdrawn the rating of SMERA BB/Stable (read as SMERA double B) assigned to the abovementioned Rs 0.28 crore bank facility with immediate effect since all dues have been paid.

The revision in outlook reflects the declining profitability and continued deterioration of working capital cycle on account of stretched receivables. This is due to delay in receiving payments from major customers as a result of the subdued performance of the end user industry.

However, the ratings continue to be supported by the moderate financial risk profile; healthy order book position and experienced management. However the ratings remain constrained by the company's stagnant revenues, project-based nature of business and working capital-intensive operations. The ratings also factor in the exposure to customer concentration risk amidst slowdown in the capital goods industry.

#### Update

Revenues of CCIPL registered a decline to Rs.27.61 crore in FY2015–16 (provisional), as compared with Rs.30.52 crore in FY2014–15 (refers to financial year, April 01 to March 31) on account of subdued performance of the power sector (end user). The operating margins fell to 6.30 per cent (provisional) as against 9.15 per cent during the aforementioned period on account of high fixed cost incurred with respect to decline in sales.

The company's tangible net worth stood at Rs.8.24 crore as against debt of Rs.4.24 crore as on March 31, 2016. While the company's capital structure is comfortable due to moderate net worth base, the increase in working capital requirements have been funded by stretching creditors. This has resulted in a relatively high total outside liabilities to tangible networth ratio of 2.01 times as on March 31, 2016. The company's interest coverage ratio stood at 1.96 times in FY2015-16.

CCIPL's operations are working capital intensive evident in the high GCA of 299 days in FY2016 that increased from 255 days in FY2015. This is mainly on account of high debtors of 243 days in FY2016 as against 198 days in FY2015. The cash credit utilisation has been high at ~96 per cent during January to July 2016.

The company has a healthy order book position reflected in the outstanding orders of Rs.42.30 crore (as on August, 2016), of which Rs. 28.12 crore orders are likely to be executed in FY2016-17.

#### Rating Sensitivity Factors

- Scaling up operations and profitability amidst intense competition
- Efficient working capital management

## Outlook – Negative

SMERA believes that CCIPL's rated facilities will remain 'Negative' over the medium term. The rating will be downgraded in case of further decline in profitability or if the liquidity position continues to be stretched. The rating may also be downgraded in case of further deterioration in the debt protection metrics or if the company registers lower than expected revenues. The outlook may be revised to 'Stable' if the company registers growth in revenues and profitability and achieves efficient working capital management.

### Criteria applied to arrive at the rating:

- Trading Entities

### About the Company

CCIPL, incorporated in 2004, is a Puducherry-based company that took over the existing business of Chemin Consulting Engineers (established in 1981), Chemin Controls, Peruson & Chemin (established in 1987) and Chemin Institute of Instrumentation Management (established in 1999).

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

For FY2015-16 (provisional), CCIPL reported profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.27.61 crore, as compared with profit after tax (PAT) of Rs.0.86 crore on operating income of Rs.30.52 crore in FY2014-15.

### Rating History

Date	Facilities	Size of the Issue (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 May, 2014	Term Loan	0.64	SMERA BB (Assigned)	-	Stable
	Cash Credit	3.50	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	7.50	-	SMERA A4+ (Assigned)	-
29 June, 2015	Term Loan	0.64	SMERA BB (Reaffirmed)	-	Stable
	Cash Credit	3.50	SMERA BB (Reaffirmed)	-	Stable
	Bank Guarantee	7.50	-	SMERA A4+ (Reaffirmed)	-

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