

Press Release

Chemin Controls and Instrumentation Private Limited (CCIPL)

April 05, 2018



Rating Downgraded, Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 11.64 Crore
Long Term Rating	SMERA BB- / Stable (Downgraded from SMERA BB/Negative)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA BB-**' (read as SMERA double B minus) from '**SMERA BB**' (read as SMERA double B) and reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs. 11.00 crore bank facilities of Chemin Controls and Instrumentation Private Limited(CCIPL). The outlook is revised from '**Negative**' to '**Stable**'.

Further, SMERA has assigned the long term rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.0.64 crore bank facilities. The outlook is '**Stable**'.

The downgrade is in view of decline in scale of operations and profitability along with continued deterioration in 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.

CCIPL, incorporated in 2004, is a Puducherry-based company. They 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).

Key rating drivers

Strengths

Experienced management

The Director, Mr. Rangaraj. P and Mr. Ragu. R have over a decade of experience in the engineering industry as a result of which the company has been able to establish relations with its customers and suppliers.

Moderate financial risk profile

CCIP has moderate financial risk profile marked by networth of Rs.7.97 crore as on 31 March 2017 and Rs.7.89 crore in previous year. The gearing stood at 0.58 times as on 31 March 2017 as compared to 0.54 times as on 31 March 2016. The total debt of Rs.4.63 crore as on 31 March 2017 mainly comprises of Rs.0.85 crore of unsecured loan from directors, term loan of Rs.0.37 crore and working capital borrowing of Rs.3.41 crore. The Interest coverage ratio remained at 1.38 times for FY2017 and FY2016. The total outstanding liabilities to tangible networth stood at 2.09 times as on 31 March 2017 as against 2.16 times as on 31 March 2016.

Weaknesses

Decline in scale of operations and profitability

CCIPL's scale of operations have declined in FY2017 to Rs.25.31 crore from Rs.25.60 crore in FY2016 and Rs.30.52 crore in FY2015. The company has incurred operating loss of Rs.0.92 crore in FY2017 as against Rs.0.35 crore in FY2016 and operating profit of Rs.2.79 crore in FY2015. This is mainly due to stiff competition and increased raw material cost as a percentage of sales.

Working capital intensive operations

CCIPL has working capital intensive operations marked by Gross Current Assets of 328 days in FY2017 as against 327 days in FY2016. This is mainly due to stretched receivables of 239 days in FY2017 as compared to 243 days in FY2016. The working capital is supported by extended credit of 90 days from creditors.

Customer concentration risk

CCIPL is exposed to customer concentration risk as 60-70 percent of the total operating income is generated from a single major customer – BHEL (Bharat Heavy Electricals Ltd.).

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CCIPL to arrive at the rating.

Outlook- Stable

SMERA believes that CCIPL will maintain a 'Stable' outlook over the medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and accruals along with profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability or elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.31	25.60	30.52
EBITDA	Rs. Cr.	(0.92)	(0.35)	2.79
PAT	Rs. Cr.	0.08	0.03	0.86
EBITDA Margin	(%)	(3.64)	(1.36)	9.15
PAT Margin	(%)	0.32	0.10	2.83
ROCE	(%)	6.88	6.58	18.79
Total Debt/Tangible Net Worth	Times	0.58	0.54	0.55
PBDIT/Interest	Times	1.38	1.38	3.18
Total Debt/PBDIT	Times	3.92	3.51	1.47
Gross Current Assets (Days)	Days	328	327	255

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12 Dec 2017	Term Loan	Long Term	0.36	SMERA BB (Indicative)
	Cash Credit	Long Term	3.50	SMERA BB (Indicative)
	Bank Guarantee	Short Term	7.50	SMERA A4+ (Indicative)
19 Sept 2016	Term Loan	Long Term	0.28	SMERA BB/stable (Withdrawn)
	Term Loan	Long Term	0.36	SMERA BB/Negative (Reaffirmed)
	Cash Credit	Long Term	3.50	SMERA BB/Negative (Reaffirmed)
	Bank Guarantee	Short Term	7.50	SMERA A4+ (Reaffirmed)
29 June 2015	Term Loan	Long Term	0.64	SMERA BB/Stable (Reaffirmed)
	Cash Credit	Long Term	3.50	SMERA BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.50	SMERA A4+ (Reaffirmed)

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB-/ Stable (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.64	SMERA BB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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