

Press Release

Chemin Controls and Instrumentation Private Limited

October 04, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 11.64 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB- / Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE BB-**' (**read as double B minus**) and short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 11.64 crore bank facilities of Chemin Controls and Instrumentation Private Limited(CCIPL). 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 continued delay in receiving payments from major customers as a result of the subdued performance of the end user industry.

CC IPL, 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). CC IPL undertakes turnkey instrumentation and electrical projects and 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'. CC IPL 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).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of CC IPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

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

- **Average financial risk profile**

The company has average financial risk profile, which is marked by moderate networth, comfortable gearing and moderate debt protection metrics. Networth stood at Rs. 8.86 crore against total debt of Rs. 3.72 crore as on 31 March, 2019 (Provisional). Gearing stood at 0.42 times as on 31 March, 2019 (Provisional) as against 0.48 times as on 31 March, 2018. TOL/TNW is moderate at 1.66 times as on 31 March, 2019 (Provisional) as against 1.57 times as on 31 March, 2018. Debt protection metrics of interest coverage ratio (ICR) and debt service coverage ratio (DSCR) are moderate at 1.55 times and 1.45 times, respectively, in FY2019 (Provisional). Acuité believes that the financial risk profile of the company will continue to remain average in the absence of major debt funded capital expenditure.

Weaknesses

- **Decline in scale of operations and profitability**

CCIPL's scale of operations have consistently declined from Rs. 30.52 crore in FY2015 to Rs. 21.86 crore in FY2019 (Provisional). The operating margins stood at 5.80 per cent in FY2019 (Provisional) against 9.37 per cent in FY2018.

- **Working capital intensive nature of operations**

CCIPL has working capital intensive operations marked by Gross Current Assets of 345 days in FY2019 (Provisional) as against 292 days in FY2018. This is mainly due to stretched receivables of 206 days in FY2019 (Provisional) as compared to 196 days in FY2018. The working capital is supported by extended credit from creditors.

Rating Sensitivities

- Stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.
- Substantial increase in the scale of operations along with improvement in profitability margins.

Material Covenants

None

Liquidity Position: Stretched

The liquidity of CCIPL is stretched as evident by low net cash accruals and high GCA days. The working capital operations of the company are intensive marked by GCA days of 345 in FY2019 (Provisional). The working capital limits in the company remained fully utilised during the last year. The company maintains unencumbered cash and bank balances of Rs.2.45 crore as on March 31, 2019 (Provisional). The current ratio stood at 1.80 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuité believes the outlook on the company will remain 'Stable' over the near term on account of the promoters' extensive experience and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability, while improving its working capital operations. The outlook may be revised to 'Negative' in case of significantly lower than expected revenue and profitability or lengthening of the working capital cycle; thereby resulting in deterioration in the financial risk profile or debt protection metrics of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	21.86	25.64	25.31
EBITDA	Rs. Cr.	1.27	2.40	(0.92)
PAT	Rs. Cr.	0.20	0.70	0.08
EBITDA Margin	(%)	5.80	9.37	(3.64)
PAT Margin	(%)	0.89	2.72	0.32
ROCE	(%)	8.39	16.60	6.88
Total Debt/Tangible Net Worth	Times	0.42	0.48	0.58
PBDIT/Interest	Times	1.55	1.90	1.38
Total Debt/PBDIT	Times	2.94	1.71	3.92
Gross Current Assets (Days)	Days	345	292	328

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Jun-2019	Cash Credit	Long Term	3.50	ACUITE BB- (Indicative)
	Proposed Bank Facility	Long Term	0.64	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Indicative)
05-Apr-2018	Cash Credit	Long Term	3.50	ACUITE BB- / Stable (Downgraded)
	Proposed Bank Facility	Long Term	0.64	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Reaffirmed)
12-Dec-2017	Term Loan	Long Term	0.36	ACUITE BB- (Indicative)
	Cash Credit	Long Term	3.50	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Indicative)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.64	ACUITE B+ / Stable (Downgraded from ACUITE BB-)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Downgraded from ACUITE A4+)

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About Acuité Ratings & Research:

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