

CCL International Limited

March 10, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable / A Four) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB; Stable (Double B; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of CCL International Limited (CCL) to CARE BB; Stable; and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to small scale of operations and elongated operating cycle, business risk associated with tender-based-orders and presence in a highly competitive nature of industry with impact of COVID-19. The weaknesses of the company are partially off-set by experienced management and technically qualified team, moderate profitability margins, comfortable capital structure & moderate debt coverage indicators.

The rating withdrawal is at the request of CCL International Limited and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Key Rating Weakness

Small scale of operations

The scale of operations of the company stood small marked by total operating income and gross cash accruals of Rs.29.2 crore and Rs.4.7 crore respectively during FY20(FY refers to the period April 1 to March 31). The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. The company has achieved total TOI of ~Rs. 16.94 crore till 9MFY20 (refers to the period April 01 to December 31, based on provisional results).

Elongated operating cycle

The operations of the company stood elongated as is evident from operating cycle 256 days for FY20. The elongated operating cycle emanates from higher work in progress inventory at project site of 132 days, in FY20. The firm maintains minimum inventory in the form of raw materials and work in progress at different sites for smooth execution of contracts which leads to inventory days of 132 in FY20. The firm raises bills on quarterly basis i.e. on the completion of certain percentage of work and thereon which gets acknowledge by client after inspection of work done by CCL. Further, the collection period stood on the higher side as all of the company's customers are public sector undertaking and the realization generally takes 4-5 months due to procedural delays relating to clearance of bills. The company normally receives payable period of around 2 months from its suppliers resulting in average creditor period of 50 days for FY20.

Geographical concentration in revenue profile

The order book of the company continues to remain concentrated to a single geography i.e. Eastern India, thus exposing it to geographical concentration in its revenue profile. Approximately 90% of the unexecuted order book pertains to work in the Meghalaya region. CARE believes that CCL's business risk profile is exposed to unfavourable changes in the government policy in that region and the company is also exposed to regional disturbances.

Business risk associated with tender -based-orders

The company undertakes government projects from government entities like PWD (Public Works Department) in Assam, Mizoram and Meghalaya which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Hence, going forward, due to increasing level of competition and aggressive bidding, the profits margins are likely to be under pressure in the medium term.

Highly competitive industry

Indian construction industry is characterized as fragmented and competitive in nature as there are a large number of players at the regional level. CCL faces direct competition from various organized and unorganized players in the market.

There are number of small and regional players and they are catering to the same market which limits the bargaining power of the company resulting in exerting pressure on its margins. CCL receives all its majority of work orders from government/ public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects are likely to affect the future revenues of the company.

Key Rating Strengths

Experienced management and technically qualified team

The operations of CCL are currently managed by Mrs. Rama Gupta and Mr. Akash Gupta. Mrs. Rama Gupta, managing director of CCL, is a post graduate by qualification and has experience of more than a decade in the finance and civil construction industry through her association with various public and private entities (Tanvi Fincap Private Limited, AAR Securities Limited, AAR Infracity Limited, and AAR Infrastructure Limited). Mr. Akash Gupta, director of CCL, is a graduate by qualification and has an experience of around a decade through his association with entity and other associate concerns. Both of them collectively look after the overall operations of the company. Further, they are supported by other independent directors viz. Mr. Arvind Sharma, Ms. Sonam Sharma and Mr. Sandeep Garg, who have considerable experience in the construction industry through their association with this entity and other associate concerns. The company has well qualified and experienced engineers, along with supervisory staff.

Moderate profitability margins

The profitability margins of the company has been moderate over the past three years i.e. FY18-FY20. PBIDLT margins have improved at 22.62% in FY20 as against 15.79% in FY19, due to decrease in direct cost. Further, PAT margins also improved for FY20 and stood at 2.14% as against 2.01% for FY19.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the company stood comfortable as on the past three balance sheet dates ending March 31'16-'18, on account of higher net worth base against limited debt levels availed. Debt to equity stood below 0.04 x and overall gearing ratio stood below 0.32x on the past three balance sheet dates ending March 31, '18-'20.

Moreover, the coverage indicators of the company stood moderate owing to limited debt levels as marked by interest coverage ratio of 3.47x in FY20 and total debt to GCA at 3.07x in FY20.

Liquidity position was moderate characterized by current ratio and quick ratio of 2.05x & 1.69x respectively as on March 31, 2020.

Liquidity analysis: Adequate

Liquidity is adequate marked by accruals of Rs.4.7 crore in FY20 (A) cash and bank balance of Rs.5.24 crore as on March 31, 2020(A). However, the current and quick ratio stood 2.05x and 1.69x as on 31 March, 2020(A) as against 1.93x and 1.53x in 31 March, 2019 respectively. As per the banker of Kotak Mahindra Bank, firm has availed moratorium as provided by bank in lines with RBI guidelines in wake of COVID-19 pandemic.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

New Delhi based, CCL International Limited (CCL) (erstwhile known as Chirawa Cements Limited) was incorporated in June, 1991 as a public limited company. The company is currently being managed by Mrs. Rama Gupta and Mr. Akash Gupta. The company is a Class 'A' Government contractor, engaged in civil construction works such as construction of roads, bridges, highways etc.

Rs Crore

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	38.34	29.2
PBILDT	6.05	6.6
PAT	2.01	2.14
Overall Gearing (times)	0.5	0.32
Interest coverage (times)	3.95	3.47

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	-	-	-	1)CARE BB; Stable / CARE A4 (22-Jan-20)	1)CARE BB; Stable / CARE A4 (19-Nov-18)	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Stable (22-Jan-20)	1)CARE BB; Stable (19-Nov-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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