Continental Corrugators Private Limited

February 23, 2021

Rating

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Long Term Bank Facilities	10.34	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Facilities	**10.34 (Rs. Ten Crore and Thirty-Four Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Continental Corrugators Private Limited (CCPL) to monitor the rating(s) vide e-mail communications/ letters dated February 04, 2021, January 28, 2021, January 08, 2021, December 30, 2020, December 08, 2020, etc. and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on Continental Corrugators Private Limited's bank facilities will now be denoted as **CARE BB-; Stable ISSUER NOT COOPERATING*.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating).

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by Continental Corrugators Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings consider the constraints relating to company's small scale of operations and competitive nature of industry along with susceptibility to volatility in prices of raw material. The ratings, however, continue to take comfort from experienced management, moderate financial risk profile and operating cycle.

Detailed description of the key rating drivers

Credit Risk Assessment

Key Rating Weaknesses

Small scale of operations

The scale of operations of CCPL stood small as marked by a total operating income of Rs. 59.81 crore in FY19 (refers to period from April 01 to March 31) as against Rs. 39.85 crore during FY18. The company's net worth base also continues to remain relatively small at Rs. 7.68 crore as on March 31, 2019 as against Rs. 5.46 crores as on March 31, 2018. The small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Competitive nature of industry along with susceptibility to volatility in prices of raw material

CCPL operates in competitive segments of the industry, which is fragmented due to low entry barriers. There are numerous players in the unorganized sector which increases the level of competition. Moreover, the primary raw material is waste paper, dyes, kraft paper which constitutes more than 70% of the total cost of production for the past three financial years i.e. FY17-FY19. Thus, margins are vulnerable to fluctuation in raw material cost. Hence the profitability of the company is based on the ability of the company to absorb the increase in raw material prices which will have an impact on the profitability margins and sales realization.

Key Rating Strengths

Experienced Promoters

CCPL is currently being managed by Mr. Vinod Sachdeva, Mr. Nalin Sachdeva, Mrs. Neena Sachdeva and Mr. Shrey Sachdeva. Mr. Nalin Sachdeva and Mrs. Neena Sachdeva are graduate by qualification and have an experience of more than three decades in packaging industry through their association with CCPL and other family run businesses. Mr. Vinod Sachdeva is post graduate by qualification and has an experience of around four decades in packaging industry. Further, they are

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

supported by Mr. Shrey Sachdeva who is post graduate by qualification. In addition, they are assisted by a team of managers who have requisite experience in their respective fields.

Moderate financial risk profile

The profitability margin of the company continues to remain moderate in FY19 as marked by PBILDT margin of 6.54% as against 6.57% in FY18. Further high interest cost and depreciation charges continues to restrict the net profitability of the company below unity and stood at 0.14% in FY19 as against 0.49% in FY18.

Owing to moderate profitability, the coverage indicators of the company continues to remain moderate as marked by interest coverage ratio of 2.65x and total debt to GCA of 5.38x for FY19 as against 2.78x and 8.22x respectively in FY18. The capital structure of the company improved though remained leveraged owing to higher dependence on external borrowings to meet its capex and working capital requirement as marked by overall gearing ratio of 1.68x as on balance sheet date for FY19 as against 2.45x as on balance sheet date for FY18. The improvement in the capital structure was on account of infusion of unsecured loans as quasi equity that resulted in a higher net worth base.

Moderate operating cycle

The operating cycle of the company continues to remain moderate at 10 days for FY19. The company is required to maintain adequate inventory of raw material for smooth running of its production process resulting into average inventory holding of around 49 days for FY19. The company normally offers credit period of around 45-60 days to its customers resulting in the average collection period of around 42 days. However, company receives a credit period of around 60 to 90 days owing to long standing relationship with the suppliers resulting in an average creditor period of 81 days for FY19.

Liquidity: Adequate

The liquidity position of the company remained adequate as characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company generates GCA of Rs. 2.40 crore and unencumbered cash & bank balances of Rs. 1.61 crore against repayment obligations of Rs. 1.44 crore in FY19. The working capital limits are utilized around 70% for the past 12 month's period ending January 31, 2021. The company did not avail the moratorium offered by the banks in line with the RBI guidelines in wake of Covid-19 pandemic.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non Financial Sector Entities
CARE's methodology for Manufacturing companies
Financial ratios – Non-Financial Sector

About the Company

Faridabad (Haryana) based Continental Corrugators Private Limited (CCPL) was established in 1997 and is promoted by Mr. Vinod Sachdeva, Mrs. Neena Sachdeva, Mr. Nalin Sachdeva and Mr. Shrey Sachdeva. The company is engaged into manufacturing of different varieties of corrugated boxes. The company has its manufacturing unit at Faridabad, Haryana with the installed capacity of 3000 tonnes per month as on February 12, 2020. The products of CCPL find its application in the packaging industry and the company sells its products pan India. The raw material i.e. waste paper, dyes, kraft paper etc. is procured from companies located in Faridabad and nearby regions.

(Rs. In crore)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	39.85	59.81
PBILDT	2.62	3.91
PAT	0.19	0.08
Overall gearing (times)	2.45	1.68
Interest coverage (times)	2.78	2.65

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
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	July, 2024	6.34	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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.	Fund-based - LT-Cash Credit	LT	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (02-Mar-20)	1)CARE BB-; Stable (07-Feb-19)	1)CARE B+; Stable (30-Jan-18)
2.	Fund-based - LT-Term Loan	LT	6.34	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (02-Mar-20)	1)CARE BB-; Stable (07-Feb-19)	1)CARE B+; Stable (30-Jan-18)

**Issuer did not cooperate; Based on best available information*

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

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	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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