Ceigall India Limited

March 01, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	9.00	**CARE B+; ISSUER NOT COOPERATING* (Single B Plus; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Revised from CARE BB (Double B) on the basis of best available information
Short term Bank Facilities	39.00	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Based on best available information
Total	**48.00 (Rs. Forty Eight crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ceigall India Limited to monitor the rating(s) vide e-mail communications/letters dated May 29, 2017; June 27, 2017; June 30, 2017; July 03, 2017; July 07, 2017; July 11, 2017; July 12, 2017; July 14, 2017; July 25, 2017; August 01, 2017;August 11, 2017; August 16, 2017; August 29, 2017; September 01, 2017; September 04, 2017; September 13, 2017; October 05, 2017; October 09, 2017; October 24, 2017; November 27, 2017; November 29, 2017; January 15, 2018; February 19, 2018 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 publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Ceigall India Limited's bank facilities will now be denoted as **CARE B+/CARE A4; 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(s).

The long-term rating assigned to the bank facilities of Ceigall India Limited has been revised on account of deterioration in the profitability margins of the company in FY17, increased amount of debtors outstanding at year end (FY17) and high reliance on working capital borrowings availed by the company. The ratings are also constrained by highly fragmented and tender-driven construction industry. The ratings, however, derive strength from the experienced promoters, increasing income in FY17 and positive outlook for the construction industry.

Detailed description of the key rating drivers

Working capital intensive nature of operations: The operations of the company remained working capital intensive in nature with average utilization of working capital limits remaining at ~80% for the 12 month period ended, November-17. The debtors outstanding for the company increased nearly 5.5x folds from Rs. 6.46 cr., as on March 31, 2016 to Rs. 35.27 cr., as on March 31, 2017.

Competitive nature of the industry: The construction industry is fragmented in nature with large number of medium & large scale players present at regional level. This coupled with the tender driven nature of construction contracts poses huge competition and puts pressure on the profit margins of the players. CIL has executed contracts in the states of

[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*

Punjab, Haryana, Himachal Pradesh, Bihar and Chandigarh (U.T.). The company has done majority of its projects for PWD (Punjab), NHAI (National Highway Authority of India), CONCOR (Container Corporation of India Limited), PSIECL (Punjab Small Industries & Export Corporation), PWD (Haryana) and GLADA (Grater Ludhiana Area Development Authority).

Key Rating Strengths

Increasing income: The income of CIL increased by ~41% in FY17. However, the PBILDT margins declined on a y-on-y basis to 9.63% from 11.72% in FY16. The PAT margins also declined to 3.45% in FY17 from 3.73% in FY16.

Experienced promoters in road construction business: The board of CIL consists of three directors namely Mr Mohinder Pal Singh as Managing director and Mrs Paramjit Kaur and Ramneek Seghal as the other directors. Mr Mohinder Pal Singh has more than three decade of experience in road and civil construction business and handles the overall business of the company with the assistance of Mr Ramneek Seghal (son of Mr. Mohinder Pal Singh) who also has more than a decade of experience in the construction business. Furthermore, CIL has been into the business of road and civil construction for more than a decade and owns a sufficient number of construction equipment and machineries reflecting its project execution capability.

Positive outlook for the road construction industry: Investment in the infrastructure sector plays a crucial role in the growth of the economy. In order to sustain the economic growth momentum, Government of India (GoI) has been focusing on increasing investment to augment the infrastructure in the country. The road construction sector presents a huge opportunity to players operating in this industry since there is huge requirement for up gradation, construction as well as maintenance of huge road network. Furthermore, the outlook remains positive on the back of major investment expected both from government and private sectors.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's policy on default recognition
Financial ratios – Non-Financial Sector
CARE's policy on default recognition

About the Company

Ceigall India Limited (CIL) was initially established as a private limited company in July-2002 under the name Ceigall Builders Private Limited by Mr. Mohinder Pal Singh and his family members. Later on in February-2011 the company changed its constitution to Public limited, under the name CIL. The company is engaged in road construction, bridges, flyovers and other civil construction works in Punjab, Haryana, Himachal Pradesh, Bihar and Chandigarh (U.T.) . CIL secures its contracts through competitive bidding process.

During FY17 (Aud.; refers to the period April 1 to March 31), CIL has reported a PAT of Rs.5.97 crore on a total operating income of Rs.173.14 crore as against a PAT of Rs.4.59 crore on a total operating income of Rs.123.14 crore in FY16.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable

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

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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For detailed Rationale Report and subscription information, please contact us at www.careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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	-	-	-	9.00	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB on the basis of best available information
Fund-based - ST-Bank Overdraft	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	22.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-Bank Guarantees	ST	9.00	Suspended	-	-	-	1)Suspended (04-Feb-15)
2.	Fund-based - LT-Cash Credit	LT	7.00	Suspended	-	-	-	1)Suspended (04-Feb-15)
3.	Fund-based - ST-Bank Overdraft	ST	15.00	Suspended	-	-	-	1)Suspended (04-Feb-15)
4.	Non-fund-based - ST-Letter of credit	ST	2.00	Suspended	-	-	-	1)Suspended (04-Feb-15)
5.	Fund-based - LT-Cash Credit	LT	9.00	CARE B+; ISSUER NOT COOPERATING*	-	1)CARE BB (03-Aug-16) 2)CARE BB- (05-May-16)	1)CARE BB- (19-Aug-15)	-
6.	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Aug-16) 2)CARE A4 (05-May-16)	1)CARE A4 (19-Aug-15)	-
7.	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Aug-16) 2)CARE A4 (05-May-16)	1)CARE A4 (19-Aug-15)	-
8.	Non-fund-based - ST-Bank Guarantees	ST	22.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Aug-16) 2)CARE A4 (05-May-16)	1)CARE A4 (19-Aug-15)	-

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

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