March 13, 2025

Phoenix Conveyor Belt India (P) Limited: Ratings Reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term/Short Term -Non-Fund based Limits – Bank Guarantee/ Letter of Credit	131.00	131.00	[ICRA]A+ (Stable)/ [ICRA]A1+ reaffirmed; Outlook revised to Stable from Positive
Total	**131.00**	**131.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision of the outlook of Phoenix Conveyor Belt India (P) Limited's (PCBIPL) factors in the moderation in the financial performance estimated in CY2024, owing to lower execution of the orders as well as adverse movement in raw material cost. Consequently, the revenues are expected to de-grew by ~12-13% in CY2024 and the operating margins are also expected to moderate compared to the previous calendar year. Nonetheless, PCBIPL's strong liquidity and nil debt status is expected to keep the debt protection metrics at a comfortable level. In CY2025, the performance is expected to improve, owing to expected better execution in the near to medium term. Also, the company has taken corrective steps to address the adverse movement in the raw material cost, along with increase in value-added product in the portfolio is likely to support the margins in the coming calendar years.

The ratings also factor in PCBIPL's dominant position in the domestic conveyor belt industry, its reputed customer base comprising players from various end-user industries, which mitigates the counterparty risk to an extent, and the company's strong parentage as part of the Continental Group. This ensures company has access to better technology as well as raw material sourcing capabilities. While assigning the ratings, ICRA has considered the rating of the company's ultimate parent, Continental AG, which stands at Baa2 (Stable), assigned by Moody's.

The ratings, however, continue to be constrained by the intense competition in the traditional conveyor belt industry, which keeps margins of all players, including PCBIPL, under check. The company's profits also remain susceptible to the volatility in the prices of rubber and steel, its key raw materials, with sharp fluctuations impacting the performance. ICRA also notes that the scale of operations remained moderate for the past several years and its margins also remained volatile in the past. Going forward, the margins are expected to remain comfortable, driven by better execution and moderation in raw material cost.

Key rating drivers and their description

Credit strengths

Conservative capital structure with substantial cash balance- PCBIPL is a debt-free company and continues to maintain a healthy cash/bank balance, providing strong financial flexibility to the company. The company funds its maintenance capex through internal accruals and is also expected to fund the capex towards new boiler similarly. Further, PCBIPL is likely to remain debt-free at least in the near term. The cash balance also supports the entity to provide a slightly elongated credit cycle to its customers.

Dominant position in the domestic conveyor belt industry; support from parent further strengthens market position-PCBIPL manufactures conveyor belts and its product portfolio includes steel cord reinforced (SR) and textile reinforced (TX) conveyor belts. SR belts contributed ~75% and ~64% of the company's overall revenues in CY2023 and 7M CY2024, while TR belts contributed ~22% and ~35%, the remaining was from splicing materials. It is one of the dominant players in the steel cord reinforced conveyor belt segment in India. The company is a 100% step-down subsidiary of Continental AG (rated at Baa2, Stable by Moody's), and derives benefits in the form of technical know-how and raw material sourcing support provided by its parent.

Reputed customer base from OEMs and replacement market segments-The conveyor belts manufactured by the company find application in mining, power, steel, cement and port sectors, which require bulk material handling. The company's primary customers include reputed players from these industries. The initial belt requirements are usually for project execution stages. Also, the product has considerable replacement demand owing to its average life of around three to five years. However, ICRA notes that PCBIPL is exposed to overall economic cycles as most user industries are cyclical in nature

Credit Challenges

PCBIPL's performance estimated to moderate in CY2024 PCBIPL's performance is estimated to moderate in CY2024 with an expected decline of ~13% in revenues driven by low executions and subdued realisations. The same was driven owing to sluggish market however the company is expecting a healthy revenue growth of 25-30% in CY2025 driven by better execution along with recovery of their regular portfolio driven by revival of market demand.
The entity's operating margin is also estimated to witness a decline in CY2024, driven by high raw material (RM) of Antimony Trioxide. Currently the company has taken corrective steps to address the adverse movement in the raw material cost, which along with better execution is expected to support the margins in near to medium term.

Moderate order book on an absolute basis- PCBIPL has an outstanding order book of around three to four months as on October 31, 2024. ICRA notes that the company's moderate order book position leads to limited revenue visibility in the near term. However, the company remains selective in taking new orders and opts for orders primarily with high margins, mitigating the counterparty credit risk. Also, the better execution is likely to support the revenues in the current calendar year.

Susceptibility of profits to volatility in prices of input materials- The prices of raw materials namely, steel, rubber and carbon black witness high volatility. Rubber is one of the major raw materials, besides steel cord and textile/ fabric, for manufacturing conveyor belts, which constitutes ~30% of the company's total raw material costs. The company uses most of its total requirement from synthetic rubber and the balance is met from natural rubber. The adverse raw material price movements have impacted margins in the past. The company has started including a price variation clause (PVC) in contracts with long lead times to protect its margins.

Liquidity position: Strong

ICRA expects the overall liquidity position of PCBIPL to remain strong owing to its surplus cash/bank balance, providing strong financial flexibility. Moreover, the absence of any major capital expenditure plan (in comparison to the sizeable cash balance) and long-term debt service obligations strengthens the company's liquidity profile.

Rating sensitivities

Positive factors – ICRA may upgrade PCBIPL's ratings if an improvement in the company's scale of operations and profitability results in healthy cash accruals on a sustained basis.

Negative factors – Pressure on PCBIPL's ratings may arise if there is a sustained deterioration in revenues and profitability and/or if there is an increase in working capital intensity of operations and/or any large dividend outflow, adversely impacting the liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]()
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered standalone financial statement of PCBIPL.

About the company

Phoenix Conveyor Belt India (P) Limited (PCBIPL, formerly known as Phoenix Yule Limited) was incorporated in 1998 as a 74:26 joint venture (JV) between Phoenix AG (a part of Continental AG) and Andrew Yule & Company Limited (AYCL). The company became a 100% subsidiary of ContiTech Transportbandsysteme GmbH (formerly known as Contitech AG (a part of Continental AG) after AYCL sold off its stake to ContiTech Transportbandsysteme GmbH in 2009. With its plant at Kalyani in West Bengal, PCBIPL is one of the largest manufacturers of steel cord conveyor belts.

Key financial indicators (audited)

PCBIPL	CY2022	CY2023
Operating income	293	336
PAT	40.6	53.9
OPBDIT/OI	15.2%	20.9%
PAT/OI	13.9%	16.0%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	74.4	123.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore;
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Mar 13, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Bank Guarantee/ Letter of Credit	Long term and Short term	131.0	[ICRA]A+ (Stable)/ [ICRA]A1+	18-Mar-2024	[ICRA]A+ (Positive)/ [ICRA]A1+	19-Jan-2023	[ICRA]A+ (Stable)/ [ICRA]A1+	27-Dec-2021	[ICRA]A+ (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/Short Term - Non-Fund based Limits – Bank Guarantee/ Letter of Credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Bank Guarantee/ Letter of Credit**	-	-	-	131.00	[ICRA]A+ (Stable)/[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 33 7150 1120
girishkumar@icraindia.com

Vikram V
+91 22 6169 3328
vikram.v@icraindia.com

Sumit Jhunjhunwala
+91 33 6521 6814
sumit.jhunjhunwala@icraindia.com

Rishin Devnath
+91 33 6521 6811
rishin.devnath@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches