

Press Release

CM EnviroSystems Private Limited

December 08, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs.17.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.17.00 Crore bank facilities of CM EnviroSystems Private Limited (CME). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the Company

CM EnviroSystems Private Limited (CMEPL), incorporated in 1981, is a Bangalore-based company engaged in the manufacturing of environmental test chambers. The day-to-day operations are led by Mr. Prajwal Crasta, Director and CEO. The company caters to Hindustan Aeronautics Limited, Tata Motors, Bosch and also exports its products to USA, UK, UAE and other countries.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of CME to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

CME benefits from its experienced management. The promoters, Dr. Jacob Crasta, Ms. Rita Crasta and Mr. Prajwal Crasta, possess more than three decades of experience in the light engineering industry. The promoters have been able to forge long term relations with customers and suppliers.

Acuité believes that the extensive experience of the management will benefit the company in the near to medium term.

Weaknesses

Deterioration in scale of operations and profitability

The company has reported deterioration in revenue by around ~21 percent with an operating income of Rs.25.20 crore in FY2020 as against operating income of Rs.32.03 crore in FY2019. This is majorly because of the automobile sector, which accounts for around 30 per cent of the total revenue and market condition during FY2020. Further, operating margins have deteriorated to 8.40 per cent in FY2020 from 10.15 per cent in FY2019. Acuité believes that scale of operations and profitability will remain muted due to COVID19 impact.

Intensive working capital operations

CME has intensive working capital operations marked by high Gross Current Assets (GCA) of 226 days in FY2020 as against 214 days in FY2019. The inventory and debtor levels stood at 42 and 169 days in FY2020 as against 48 and 157 days in FY2019, respectively. As a result, the average utilisation of bank limits stood at 73 percent in the last six months ending November, 2020.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of inventory maintenance and process time required to manufacture its products.

Average financial risk profile

The financial risk profile is average marked by modest net worth, moderate debt protection measures and high gearing. The net worth is modest marked by Rs.4.86 crore as on 31 March, 2020 as against Rs.4.28 crore as on 31 March, 2019. The gearing of the company has stood high at 1.90 times as on March 31, 2020 as against 2.51 times as on 31 March, 2019. Total debt of Rs.9.25 crore in FY2020 includes long term borrowing of Rs.0.84 crore, unsecured loans of Rs.1.98 crore and working capital borrowing of Rs.6.43 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.59 times as on 31 March, 2020 as against 4.98 times as on 31 March, 2019. Interest Coverage Ratio (ICR) deteriorated to 1.78 times in FY2020 from 2.46 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31 March, 2020 as against 0.18 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) deteriorated to 1.08 times in FY2020 from 1.58 times in FY2019.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

CME has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.16 crore in FY2020 as against Rs.1.93 crore in FY2019, while its maturing debt obligations was Rs.0.94 crore in FY2019 as against Rs.0.69 crore in FY2018. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 226 in FY2020. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains utilized at ~73 percent during the last 6 months' period ended November, 2020. The company maintains unencumbered cash and bank balances of Rs.0.05 crore as on March 31, 2020. The current ratio of the company stands at 1.00 times as on March 31, 2020.

Acuite believes that the liquidity of the company will remain adequate in near medium term marked by adequate net cash accruals and no debt funded capex.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	25.20	32.03
PAT	Rs. Cr.	0.28	0.97
PAT Margin	(%)	1.12	3.01
Total Debt/Tangible Net Worth	Times	1.90	2.51
PBDIT/Interest	Times	1.78	2.46

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Sept-2019	Cash Credit	Long Term	9.50	ACUITE BB-/ Stable (Upgraded from ACUITE B+/Stable)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB-/ Stable (Upgraded from ACUITE B+/Stable)
16-Nov-2018	Cash Credit	Long Term	8.50	ACUITE B+/ Stable (Downgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	0.52	ACUITE B+/ Stable (Downgraded from ACUITE BB-/Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	0.22	ACUITE B+/ Stable (Downgraded from ACUITE BB-/Stable)
	Proposed Bank Facility	Long Term	0.76	ACUITE B+/ Stable (Assigned)
13-Oct-2017	Cash Credit	Long Term	8.50	ACUITE BB-/ Stable (Downgraded from ACUITE BB/Stable)
	Term Loan	Long Term	1.28	ACUITE BB-/ Stable (Downgraded from ACUITE BB/Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Debt	Long Term	0.22	ACUITE BB-/ Stable (Downgraded from ACUITE BB/Stable)

*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	9.50	ACUITE BB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- (Withdrawn)

* bank sanctioned term loan of around Rs.1.50 crore. However, company did not availed it.

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041</p> <p>aditya.gupta@acuite.in</p> <p>Saurabh Rane Analyst - Rating Operations Tel: 02249294044</p> <p>saurabh.rane@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022- 67141160</p> <p>rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.