

December 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	130.00	SMERA BBB/Stable (Assigned)
Term Loan I	28.96	SMERA BBB/Stable (Assigned)
Term Loan II	7.50	SMERA BBB/Stable (Assigned)
Bank Guarantee	30.00	SMERA A3+ (Assigned)
Proposed Fund/Non Fund based facilities	3.54	SMERA BBB/Stable/SMERA A3+ (Assigned)

SMERA has assigned ratings of '**SMERA BBB (read as SMERA triple B)**' and '**SMERA A3+ (read as SMERA A three plus)**' to the above mentioned bank facilities of Classic Marble Company Private Limited (CMCPL). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management, reputed clientele and healthy financial risk profile. However, the ratings are constrained by the working capital intensive nature of operations, exposure to foreign exchange fluctuation risk and declining margins. The rating also factors in the government regulations on import of rough marbles.

CMCPL is a Silvassa-based company engaged in the processing of rough marble and manufacturing of engineered marble and quartz. The company is headed by Mr. Mafatlal Shah, Mr. Popatlal Shah, Mr. Amit. M. Shah and Mr. Subodh. P. Shah (Directors) who have experience of over two decades in the marble processing industry.

CMCPL caters to customers, institutions, contractors and real estate developers such as Hiranandani, Lodha among others. Besides, the company has tie-ups with Spanish and Italian manufacturers to market their products in India.

The financial risk profile of the company is healthy marked by gearing of 2.81 times as on March 31, 2015. The total debt of Rs.284.91 crore includes unsecured loans of Rs.131.32 crore which are subordinated to bank debt and short term working capital facilities of Rs.125.42 crore as on March 31, 2015. The interest coverage ratio stands healthy at 2.03 times in FY2014-15 and the yearly CPLTD (current portion of long term debt) is around Rs.17.11 crore against net cash accruals of around Rs.27.00 crore. Plans are on to undertake capex of around Rs.10.00 crore in FY2015-16 to be funded by debt and internal accruals.

However, CMCPL's operations are working capital intensive on account of the high inventory holding of close to 200 days. The operations are supported by purchasing raw material against Letter of Credit and subsequently converting the same to Buyers' Credit. With 80 per cent of the total raw material requirements being met through imports, the company is exposed to fluctuations in foreign exchange rates.

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CMCPL operates in a highly competitive industry. Operating margins have declined from 15.61 per cent in FY2013-14 to 13.78 per cent in FY2014-15 while revenue has grown at a muted CAGR of 8 per cent during FY2012-13 to FY2014-15. Besides, the rough marble processing industry is highly regulated with import restrictions inhibiting the purchase of rough natural marble. Accordingly, adverse changes in import policies can have a bearing on CMCPL's business risk profile. Besides, licensing norms are revised annually.

Outlook: Stable

SMERA believes CMCPL will maintain a stable profile over the medium term owing to its experienced management and strong product base. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins.

Rating Sensitivity Factors

- Sustained growth while achieving stable margins
- Working capital management
- Capacity utilisation and sales realisation

About the Company

CMCPL, incorporated in 2008, took over the existing businesses of Classic Marble and Marmo Classic (partnership firms under the same management) that were established in 1994. CMCPL is engaged in the processing of rough natural marble and manufacturing of engineered marble and quartz. The company has license to import 60,000 MTPA of rough natural marble. The company has its own showrooms at Silvassa, Ahmedabad, Chandigarh, Bhandup and Worli and four factories in Silvassa.

For FY2014-15, CMCPL reported profit after tax (PAT) of Rs.17.47 crore on operating income of Rs.395.93 crore, as compared with PAT of Rs.16.84 crore on operating income of Rs.372.06 crore in the previous year.

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SMERA RATINGS LIMITED

Classic Marble Company Private Limited (CMCPL)

*Rating
Rationale*

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