



Press Release
Classic Marble Company Private Limited
 August 29, 2018
Rating Assigned, Reaffirmed & Withdrawn

Total Bank Facilities Rated*	Rs. 170.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Positive
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) on the Rs.130.00 cr. bank facilities and short term rating of '**ACUITE A2**' (read as ACUITE A two) on the Rs.30.00 cr. bank facilities. Further, Acuité has assigned the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) on the Rs.10.00 cr. bank facilities of Classic Marble Company Private Limited (CMCPL). The outlook is '**Positive**'.

Acuité has withdrawn the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) on the Rs.7.50 cr. bank facilities of Classic Marble Company Private Limited (CMCPL).

Classic Marble Company Private Limited (CMCPL), a Mumbai based company was incorporated in 2008 to take over the existing businesses of Classic Marble and Marmo Classic (partnership firms under the same management) which was established in 1994. CMCPL is engaged in the processing of rough natural marbles and manufacturing of engineered marbles and quartz.

Revision of Outlook

Acuité has revised the outlook to 'Positive' from 'Stable' on account of continuous increase in revenue and margins leading to further improving the financial risk profile of the company. The rating may be upgraded in case the company registers higher-than-expected revenues while maintaining its margins, financial risk profile and working capital management. Conversely, the outlook may be revised to 'Stable' in case the company registers lower-than-expected revenue, decline margins or further deterioration in working capital of the company.

Key Rating Drivers

Strengths

• Experienced management

CMCPL has been in operation since 1994 with four manufacturing facilities at Silvassa. The management is led by Mr. Mafatlal Shah and Mr. Popatlal Shah apart from the second generation viz. Mr. Amit M. Shah and Mr. Subodh. P. Shah who possess experience of over two decades in the marble processing industry.

Acuité believes that CMCPL will benefit from its established position in the said industry, experienced management and established relationships with customers and suppliers.

• Reputed and diversified clientele

CMCPL has its showrooms at Silvassa, Ahmedabad, Chandigarh, Bhandup and Worli. Further, apart from residential customers, it also caters to contractors and reputed real estate developers such as Hiranandani, Lodha and corporates such as Reliance group of Industries, Larson & Tubro among other. The rating thus factors in the diversified clientele of the company.

- **Healthy Financial Risk Profile**

The financial risk profile of the company is healthy marked by net worth of Rs.183.16 crore (including Quasi Equity of Rs.32.36 crore) as on 31 March, 2018 as against Rs.145.48 crore (including Quasi Equity of Rs.32.36 crore) as on 31 March, 2017. Gearing (debt-equity) stood at 1.29 times as on 31 March, 2018 against 1.70 times as on 31 March, 2017. The total debt of Rs.236.61 crore as on 31 March, 2018 comprises of term loan of Rs.0.37 crore, unsecured loan from promoters and others of Rs.130.31 crore, and working capital facility of Rs.105.92 crore. The interest coverage ratio stood at 3.74 times for FY2018 (Prov.) as against 2.16 times in the previous year. Net Cash Accruals to Total debt (NCA/TD) stood at 0.24 times for FY2018 as against 0.11 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.18 times as on 31 March, 2018 as against 2.68 times for as on 31 March, 2017.

Acuité believes the financial risk profile of the company will remain healthy backed by healthy net cash actuals and despite debt funded capex of ~Rs.20.00 crore.

- **Stable growth in revenue with improvement in profitability**

The revenue of the company during FY2014-15 to FY2017-18 increased at a CAGR of 5.30 per cent. The operating income stood at Rs.434.42 cr in FY2017 as against Rs. 433.61 cr in FY2016. Further, for FY2018, the company registered operating income of Rs. 486.10 cr. Further, the company registered healthy improvement in profit margins during the period under study. The EBIDTA margins increased from 13.10 per cent in FY2016-17 to 19.29 per cent in FY2017-18 on account of decrease in administrative cost and raw material cost.

Weaknesses

- **Elongated working capital management**

The company operates in a working capital intensive nature of business marked by Gross Current Asset (GCA) days of 261 for FY2018 as against 254 in the previous year. The inventory and debtors days has increased to 203 and 74 days for FY2018 as against 180 and 62 in the previous year. Further, the bank limit utilisation stood at ~95 per cent for last five months ending June 2018.

Since CMCPL deals with real estate developers and contractors, receivables are stretched. Besides, the debtors outstanding for more than six months are to the tune of Rs.16.52 cr as on March 31, 2018 (around 16.65 per cent of total debtors) of which Rs.1.92 cr are doubtful.

- **Exposure to forex fluctuation risk**

Most of the raw material (rough slabs of natural marble) is imported from Turkey, Italy and Iran among other countries. The other major raw material is Polyester Resin, used to manufacture engineered marbles. The entire requirement of Resin is imported from Polychem, a UAE-based company. Around 70 per cent of total purchases are through imports. Thus, CMCPL is exposed to fluctuations in foreign exchange rates. However, the company hedges its forex transactions.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CMCPL to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	486.10	434.42	433.61
EBITDA	Rs. Cr.	93.75	56.93	75.46
PAT	Rs. Cr.	37.72	9.38	17.27
EBITDA Margin	(%)	19.29	13.10	17.40
PAT Margin	(%)	7.76	2.16	3.98
ROCE	(%)	19.87	11.22	14.77
Total Debt/Tangible Net Worth	Times	1.29	1.70	1.74
PBDIT/Interest	Times	3.74	2.16	2.54
Total Debt/PBDIT	Times	2.26	3.79	3.19
Gross Current Assets (Days)	Days	261	254	262

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
08-May-17	Cash Credit	Long term	130.00	ACUITE BBB+/Stable (Upgraded)
	Term Loan I	Long term	28.96	ACUITE BBB+/Stable (Withdrawn)
	Term Loan II	Long term	7.50	ACUITE BBB+/Stable (Upgraded)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Upgraded)
	Proposed fund based/Non fund based facility	Long term	2.50	ACUITE BBB+/Stable (Upgraded)
	Proposed fund based/Non fund based facility	Long term	1.04	ACUITE BBB+/Stable (Withdrawn)
02-Dec-15	Cash Credit	Long Term	130.00	ACUITE BBB / Stable (Assigned)
	Term Loan I	Long Term	28.96	ACUITE BBB / Stable (Assigned)
	Term Loan II	Long Term	7.50	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)
	Proposed fund based/Non fund based facility	Long Term	3.54	ACUITE BBB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	130.00	ACUITE BBB+ / Positive (Reaffirmed)
Term loans II	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB+ (Withdrawn)
Term loans III	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ / Positive (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

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