

Press Release

Crystal Thermotech Limited (CTL)

13 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.15.35 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.15.25 crore (fund based) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.0.10 crore (non-fund based) facilities of Crystal Thermotech Limited (CTL). The outlook is '**Stable**'.

The company, promoted by Mr. Vijay Kumar Mittal, manufactures disposable thermocol products including plates, bowls and donas.

List of key rating drivers and their detailed description

Strengths:

Significant revenue growth: CTL commenced operations in July 2014. The company registered an increase in revenue to Rs.33.81 crore in FY2016 from Rs.11.43 crore in FY2015. Moreover, the company has recorded revenues of Rs.28 crore till 12th December 2016 (provisional) registering a growth of almost 80 percent y-o-y.

Healthy financial risk profile: The financial risk profile of the company is marked by healthy debt protection metrics, gearing levels and healthy net worth base. The interest coverage and debt service coverage ratios have been at 2.69 times and 1.47 times in FY2016 respectively. The gearing levels are comfortable and improved to 0.63 times in FY2016 from 1.33 times in FY2015. The improvement in gearing is due to the repayment of unsecured loan of Rs.2.08 crore during FY2016. The net worth base is healthy at around Rs.24.43 crore as on 31 March, 2016. The company does not have any significant capex plans over the medium term.

Weaknesses:

Thin net margins: The PAT margins of the company have been in the range of 0.00 to 0.68 per cent in the past two years ended FY2016. The low margins have been mainly due to high interest of around Rs.2.06 crore in FY2016 as against Rs.1.72 crore in FY2015. The operating margins are however comfortable at 15.53 percent in FY2016 as compared to 35.32 percent in FY2015.

Working capital intensive operations: CTL's working capital intensive operations are marked by high gross current asset (GCA) days of 211 days in FY2016 as compared to 445 days in 2015. This is mainly on account of high advances to suppliers apart from the usual debtors and inventory. The inventory days are at 113 in FY2016 (as compared to 503 days in FY2015) and debtors days stand at 54 days in FY2016 (as compared to 13 days in FY2015). However, creditors stood at 17 days and 78 days in FY2016 and FY2015 respectively.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of the company.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that CTL will maintain a stable outlook in the medium term while benefitting from its healthy financial risk profile. The outlook may be revised to 'Positive' if the company scales up profitability with sustained revenue growth improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle deteriorates.

About the Rated Entity

Incorporated in October 2013, CTL manufactures disposable thermocol products. The company is also into sponge iron manufacturing since 12 years apart from poultry and cattle feed. The manufacturing facilities are located at Chandil, Jharkhand.

For FY2016, CTL reported profit after tax (PAT) of Rs.0.00 crore on total operating income of Rs.33.81 crore, as compared with PAT of Rs.0.08 crore on total operating income of Rs.11.43 crore in FY2015. The tangible net worth stands at Rs.24.43 crore in FY2016 as compared to Rs.15.06 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	5.25	SMERA BB- / Stable (Assigned)	-	-	-	-	-	-
Term Loan	Long Term	10.00	SMERA BB- / Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	Short Term	0.10	SMERA A4+ (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	N.A	N.A	N.A	5.25	SMERA BB- / Stable (Assigned)
Term Loan	N.A	N.A	28/03/2021	10.00	SMERA BB- / Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.10	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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