



Press Release
CLASSIC MICROTECH PRIVATE LIMITED
October 04, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.36	ACUITE B- Stable Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	17.36	-	-

Rating Rationale

ACUITE has assigned its long term rating of **ACUITE B- (read as ACUITE B minus)** and the short term rating of **ACUITE A4 (read as ACUITE A four)** on the Rs.17.36 Crore bank facilities of Classic Microtech Private Limited (CAPL). The outlook is 'Stable'.

Rationale for Rating

The rating assigned factors in the modest scale of operations and its below average financial risk profile characterized by low networth, high gearing level and weak debt coverage matrices. The rating also takes into account the working capital intensive nature of operations and poor liquidity position of the company. Furthermore, the rating factors in the highly fragmented nature of the tiles industry resulting in intense competition and cooperation was not given fully. However, continue to favourably factor in the extensive experience of the promoters in the ceramic industry and its proximity to raw material sources.

About the Company

Classic Microtech Private Limited was incorporated in 2002 and is based at Gujarat. The company is engaged in manufacturing of Feldspar Powder & Zirconium Silicate. Currently the company is managed by Mr. Narsinhbhai Pashabhai Patel and Mr. Hasmukhbhai Mohanbhai Patel.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Classic Microtech Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The company was incorporated in 2002 reflecting established track record of operations for more than two decades. Furthermore, the management of the company also possesses an experience of more than two decades in the ceramic industry which helped the company to established healthy relations with its customers and suppliers. Acuite believes that the company will continue to receive benefit from its experienced management which will support its operations over the near to medium term.

Weaknesses

Modest scale of operations

The company has achieved the turnover of Rs.13.76 Crore in FY23 as compared to Rs.17.05

Crore in FY22 and Rs.17.66 Crore in FY21. The revenues of the company witnessed deterioration majorly on account of decline of actual production on a y-o-y basis owing to constrained on raw material supply. However, the EBITDA margin of the company stood at 14.00% in FY23 against 11.25% in FY22 and PAT margin of the company stood at 0.30% in FY23 against 0.23% in FY22. Acuité believes that the improvement in its scale of operations and maintaining its profitability margins will remain a key rating sensitivity going ahead.

Below average financial risk profile

The financial risk profile of the company is below average marked by low net-worth of Rs.7.54 Crore in as on 31st March 2023 against Rs.7.50 Crore as on 31st March 2022. The company has total debt of Rs.13.82 Crore as on 31st March 2023. The long term debt of the company is GECL loan along with this the company does have short term borrowing in form of Cash credit which stood at Rs.9.92 Crore as on 31st March 2023 and Unsecured loans which stood at Rs.1.52 Crore. Also, the gearing ratio of the company improved yet remain high at 1.83 times as on 31st March 2023 against 2.12 times as on 31st March 2022. The interest coverage ratio and debt service coverage ratio of the company stood at 1.49 times and 0.57 times respectively as on 31st March 2023 against 1.58 times and 0.67 times respectively as on 31st March 2022. Acuite believes that financial risk profile of the company may improve in near term as company is not going for any debt-funded capex near future.

Working capital Intensive operations

The working capital operations of the company is marked highly intensive by GCA days which stood at 542 days as on 31st March 2023 against 438 as on 31st March 2022. The GCA days are majorly higher on an account of debtor days which stood at 303 days as on 31st March 2023 against 198 days as on 31st March 2022. Further, the inventory days stood at 261 days as on 31st March 2023 against 224 days as on 31st March 2022. On the other hand, the creditor days of the company stood at 212 days as on 31st March 2023 against 285 as on 31st March 2022. Acuite believes that working capital operations of the company will remain a key sensitive factor.

Rating Sensitivities

- Improvement in revenues and profitability going forward.
- Any further elongation in working capital cycle resulting in stretch of liquidity.

All Covenants

None.

Liquidity Position

Poor

The liquidity profile of the company is poor reflected by low net cash accruals of Rs.0.64 Crore as on 31st March 2023 against the debt repayment obligations of Rs.2.10 crore. However, the shortfall has been covered through managing working capital cycle by stretching the creditor period. The current ratio of the company stood at 1.39 times as on 31st March 2023 against 1.43 times as on 31st March 2022. The average working capital limits of the company remained fully utilised in last eight months ending March 2023 majorly on account of working capital intensive nature of operations. Acuité believes that the liquidity position of the company is expected to remain poor over the medium term on account of fully utilisation of its working capital limits and low net cash accruals.

Outlook: Stable

Acuité believes that CMPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, adequate financial risk profile. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates

lower than anticipated cash accruals, most likely due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	13.76	17.05
PAT	Rs. Cr.	0.04	0.04
PAT Margin	(%)	0.30	0.23
Total Debt/Tangible Net Worth	Times	1.83	2.12
PBDIT/Interest	Times	1.49	1.58

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

ICRA vide its press release dated 19th July 2023, had rated the company to ICRA B/Stable/A4; Issuer Not Cooperating
Brickworks vide its press release dated 4th Oct 2022 had downgraded the company to BWR B/Stable/A4; Issuer Not Cooperating

Any other information

Not applicable.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE B- Stable Assigned
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.03	ACUITE B- Stable Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.30	ACUITE B- Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.87	ACUITE B- Stable Assigned
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.66	ACUITE B- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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