

Rating Advisory

August 24, 2018 | Mumbai

20 Microns Limited

Advisory as on August 24, 2018

This rating advisory is provided in relation to the rating of 20 Microns Limited

The key rating sensitivity factors for the rating include:

- Sustenance of revenue and operating profitability
- Change in policy by the government on regulations on mining
- Visibility of the reserves present in the linked mines.
- Additional debt-funded capex

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from 20 Microns Ltd (20ML) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If 20ML continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the group

Incorporated in 1987 and promoted by Mr Chandresh Parikh, 20ML manufactures micronised minerals that are used as functional fillers and extenders in diverse industries such as paints, plastics, paper, adhesives, and ceramics. Product profile includes calcium carbonate, feldspar, China clay, talc, and speciality chemicals. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

NANO, incorporated in 1994, manufactures highly specialised minerals.

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Rating Rationale

August 16, 2017 | Mumbai

20 Microns Limited

Long-term rating upgraded to 'CRISIL BB+/Stable' ; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.175 Crore
Long Term Rating	CRISIL BB+/Stable (Upgraded from 'CRISIL BB/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of 20 Microns Limited (20 ML, part of the 20 Microns group) to '**CRISIL BB+/Stable**' from 'CRISIL BB/Stable', and reaffirmed the short-term rating at 'CRISIL A4+'.

The rating upgrade reflects expected improvement in group's financial risk profile on account of sequential decline in its indebtedness on account of repayment of term loans. Total outside liabilities to adjusted networth (TOLANW) ratio improved to 2.4 times as on March 31, 2017, and is expected to improve further to less than 2 times over the medium term. Better profitability led to stronger debt protection metrics: interest coverage ratio improved to 2.4 times in fiscal 2017 from less than 2 times in the previous year. Financial risk profile is expected to sustain over the medium term on the back of increase in revenue and stable profitability.

The ratings reflect the 20 Microns group's established business risk profile due to strong linkages with customers and suppliers, diversified product profile, huge mining reserves, and above-average financial risk profile marked by moderate networth and TOLANW ratio and comfortable debt protection metrics. These weaknesses are partially offset by large working capital requirement and volatile operating profitability.

Analytical Approach

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of 20ML and its subsidiaries, 20 Microns Nano Minerals Ltd (NANO), 20 Microns FZE, and 20 Microns SDN BHD. This is because all these entities, collectively referred to as the 20 Microns group, have a common management and operational and financial linkages.

Key Rating Drivers & Detailed Description

Strengths

*** Established business risk profile:** The promoter has been in the minerals extraction industry for the past 31 years and has installed capacity of 450,000 tonne per annum. The group has six mines and eight manufacturing facilities. It has strong relationship with suppliers due to mining licences and longstanding presence. Customers belong to various industries such as agriculture, cosmetic, ceramic, paints, and paper.

*** Huge mining reserves:** The group's six mines across Gujarat, Rajasthan, and Tamil Nadu have sufficient reserve to meet demand over the medium term.

*** Above-average financial risk profile:** Networth was Rs 101.1 crore and TOLANW ratio 2.4 times, as on March 31, 2017. Interest coverage ratio was also healthy at 2.4 times for fiscal 2017.

Weaknesses

*** Working capital-intensive operations:** Gross current assets were 143 days as on March 31, 2017, due to sizeable inventory of 73 days and receivables of 56 days.

Outlook: Stable

CRISIL believes the 20ML group will benefit over the medium term from its strong mining reserves and healthy client relationship. The outlook may be revised to 'Positive' if sustained improvement in scale of operations and profitability leads to a better financial risk profile. The outlook may be revised to 'Negative' if decline in profitability results in lower cash accrual, or if increase in working capital requirement weakens financial risk profile, particularly liquidity.

About the Group

Incorporated in 1987 and promoted by Mr Chandresh Parikh, 20ML manufactures micronised minerals that are used as functional fillers and extenders in diverse industries such as paints, plastics, paper, adhesives, and ceramics. Product profile includes calcium carbonate, feldspar, China clay, talc, and speciality chemicals. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

NANO, incorporated in 1994, manufactures highly specialised minerals.

The 20 ML group, on a consolidated basis, reported a profit after tax (PAT) of Rs 15.49 crore on net sales of Rs 394.8 crore for fiscal 2016, vis-a-vis PAT of Rs 11.06 crore on net sales of Rs 359.4 crore in fiscal 2016.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Funded Interest Term Loan	NA	NA	Mar-2021	8.46	CRISIL BB+/Stable
NA	Funded Interest Term Loan	NA	NA	Mar-2021	4.33	CRISIL BB+/Stable
NA	Long Term Loan	NA	NA	Sep-2022	12.7	CRISIL BB+/Stable
NA	Long Term Loan	NA	NA	Feb-2023	21.08	CRISIL BB+/Stable
NA	Corporate Loan	NA	NA	Jul-2021	11.31	CRISIL BB+/Stable
NA	Long Term Loan	NA	NA	Aug-2022	1.98	CRISIL BB+/Stable
NA	Corporate Loan	NA	NA	Jul-2021	2.82	CRISIL BB+/Stable
NA	Long Term Loan	NA	NA	Feb-2023	18.31	CRISIL BB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.93	CRISIL BB+/Stable
NA	Cash Credit	NA	NA	NA	61.0	CRISIL BB+/Stable
NA	Bank Guarantee	NA	NA	NA	2.0	CRISIL A4+
NA	Inland/Import Letter of Credit	NA	NA	NA	27.0	CRISIL A4+
NA	Foreign Exchange Forward	NA	NA	NA	2.08	CRISIL A4+

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	146	CRISIL BB+/Stable / CRISIL A4+	22-02-17	CRISIL BB+/Stable / CRISIL A4+		No Rating Change	27-11-15	CRISIL BB-/Stable / CRISIL A4+		--	--
Non Fund-based Bank Facilities	LT/ST	29	CRISIL A4+		No Rating Change		No Rating Change	27-11-15	CRISIL A4+		--	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	2	CRISIL A4+	Bank Guarantee	2	CRISIL A4+
Cash Credit	61	CRISIL BB+/Stable	Cash Credit	61	CRISIL BB/Stable
Corporate Loan	14.13	CRISIL BB+/Stable	Corporate Loan	14.13	CRISIL BB/Stable
Foreign Exchange Forward	2.08	CRISIL A4+	Foreign Exchange Forward	2.08	CRISIL A4+
Funded Interest Term Loan	12.79	CRISIL BB+/Stable	Funded Interest Term Loan	12.79	CRISIL BB/Stable
Inland/Import Letter of Credit	27	CRISIL A4+	Inland/Import Letter of Credit	27	CRISIL A4+
Long Term Loan	54.07	CRISIL BB+/Stable	Long Term Loan	54.07	CRISIL BB/Stable
Proposed Long Term Bank Loan Facility	1.93	CRISIL BB+/Stable	Proposed Long Term Bank Loan Facility	1.93	CRISIL BB/Stable
Total	175	--	Total	175	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Approach to Recognising Default](#)

[CRISILs Bank Loan Ratings](#)

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