



## 20 Microns Limited

Instrument	Amount	Rating Action
Cash Credit	Rs. 61.00 Cr. (Enhanced from Rs. 51.00 Cr.)	[ICRA]BB+ reaffirmed; Outlook revised to 'Negative'
Export Packing Credit*	Rs. 10.00 Cr. (Enhanced from Rs. 5.00 Cr.)	[ICRA]BB+ reaffirmed; Outlook revised to 'Negative'
Corporate Loan	Rs. 15.00 Cr. (Enhanced from Rs. 5.18 Cr.)	[ICRA]BB+ reaffirmed; Outlook revised to 'Negative'
Term Loans	Rs. 67.97 Cr. (Revised from Rs. 88.17 Cr.)	[ICRA]BB+ reaffirmed; Outlook revised to 'Negative'
Letter of Credit	Rs. 27.00 Cr.	[ICRA]A4+ reaffirmed
Bank Guarantee	Rs. 2.00 Cr.	[ICRA]A4+ reaffirmed
Credit Exposure Limit	Rs. 1.44 Cr. (Revised from Rs. 2.40 Cr.)	[ICRA]A4+ reaffirmed

\*Sub-Limit of Cash Credit

ICRA has reaffirmed the rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 67.97 Cr.\* term loans (reduced from Rs. 88.17 Cr.), Rs. 15.00 Cr. corporate loan (enhanced from Rs. 5.18 Cr.) and Rs. 61.00 Cr. fund-based cash-credit facility (enhanced from Rs. 51.00 Cr.) of 20 Microns Limited (TML)†. The outlook on the long term rating has been revised to 'Negative' from 'Stable'. ICRA has reaffirmed the rating of [ICRA]A4+ (pronounced ICRA A four plus) to the Rs. 30.44 Cr. short-term non-fund based facilities (reduced from Rs. 31.40 Cr.) of TML.

The assignment of the 'Negative' outlook takes into account the pressure on the company's profitability on account of the slowdown in demand from key consuming end-user segments during the last few quarters and the rise in fuel costs. ICRA also notes that the company has high debt repayment obligations in the near term and improvement in the profitability remains critical from the credit perspective, going forward.

The ratings continue to be constrained by the company's modest financial profile as characterized by declining profitability and return indicators; leveraged capital structure; significantly high debt repayment obligations in the near term; weak coverage indicators and tight liquidity position as reflected by almost full utilization of working capital facilities. Further the ratings are constrained by the vulnerability of the company's profitability to any significant fluctuations in raw material and fuel prices besides the fragmented and highly competitive nature of the micronized mineral industry. The ratings also take into account the lower than anticipated returns from recently completed large debt funded capacity expansion and corporate guarantee extended to the bank lines of subsidiary i.e. 20 Microns Nano Minerals Limited.

The ratings, however favorably take into account the long experience of promoters and management in the micronized minerals industry; well established relationships with reputed clientele across diverse industries and consistent growth in the company's scale of operations. The ratings also factor in the favourable demand outlook for micronized minerals as cost-effective functional fillers and extenders in key end-user industries namely paints and construction. Further, ICRA continues to take comfort from the multi-location reach of the company which aids geographical expansion in logistics-intensive mineral industry and significant captive mineral reserves.

\* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



### **Company Profile**

Incorporated in 1987, 20 Microns Limited (TML) was promoted by Mr. Chandresh Parekh and Mr. Bhanu Patel and is currently engaged in the production of a wide range of micronized, sub-micronized minerals and specialty chemicals which are used as functional fillers and extenders in various industries like textile, paper, plastic, paints, adhesive, rubber, ceramics etc. The company has six captive mines and seven ISO 9001:2008 certified manufacturing locations spread across the country. The company has a centralized in-house R&D centre at Vadadla, Vadodara focused on developing minerals for diverse applications.

### **Recent Results**

For the year ended March 31, 2013, TML reported an operating income of Rs. 277.10 Cr. and profit after tax of Rs 3.24 Cr. as against an operating income of Rs. 263.97 Cr. and profit after tax of Rs10.78 Cr. for FY12. During H1 FY14 (provisional), TML reported an operating income of Rs. 147.90 Cr. and profit after tax of Rs. 0.73 Cr.

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