

20 MICRONS[®]

L I M I T E D

CIN # L99999GJ1987PLC009768

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25th March, 2022

TO :

BSE LIMITED Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Fort, MUMBAI - 400 001. SCRIP CODE : 533022	NATIONAL STOCK EXCHANGE OF INDIA LIMITED Listing Department Exchange Plaza, Bandra - Kurla Complex, Bandra [East], MUMBAI - 400 051. SYMBOL : 20MICRONS
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Dear Sirs,

Subject: Intimation of Credit Ratings.

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that CRISIL Ratings received online, dated 25th March 2022, reviewed and affirmed the following rating:

Instrument Type	Rating/Outlook
Long Term Rating	CRISIL BBB+/Stable (Upgraded from CRISIL BBB/Stable)
Short Term Rating	CRISIL A2 (Upgraded from CRISIL A3+)

You are requested to take the same on your records.

Thanking you,

Yours faithfully

For 20 Microns Limited

For 20 Microns Limited



(Komal Pandey)
Company Secretary

[Komal Pandey]
Company Secretary
A - 37092

Encl. As above

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL

An S&P Global Company

Rating Rationale

March 24, 2022 | Mumbai

20 Microns Limited

Ratings upgraded to 'CRISIL BBB+ / Stable / CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.87.9 Crore
Long Term Rating	CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB / Stable')
Short Term Rating	CRISIL A2 (Upgraded from 'CRISIL A3+')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of 20 Microns Limited (ML, part of the 20ML group) to **'CRISIL BBB+/Stable/CRISIL A2'** from **'CRISIL BBB/Stable/CRISIL A3+'**.

The rating upgrade reflects CRISIL's expectations of sustenance of 20 ML group's business profile and improved financial risk profile. The action also factors company's exit from corporate debt restructuring (CDR) and release of the pledged shares by banks.

The group has clocked a turnover of Rs. 444 cr till December 2021 with an estimated growth of more than 20 % over last fiscal. Simultaneously, the operating margin is estimated over 13% with steady working capital cycle. The performance has been supported by healthy rebound in demand and group's well entrenched presence. Over medium term, the group is expected to maintain an annual growth rate of 10% with steady margin on back of its established presence, continued focus on customer and product addition.

20 ML group's financial profile has consolidated sequentially backed by healthy annual cash accruals, reduction in debt levels, borrowing costs and absence of any significant capex plans. 20 ML group's net worth and TOLTNW are estimated around Rs. 250 cr and 1 times as on March 31, 2022. Group is expected to generate annual cash accruals around Rs. 55 cr in the coming fiscals which together with steady working capital cycle shall ensure continued improvement in leverage ratio.

Further CRISIL notes, ML has exited CDR paying Rs. 11.55 cr to its banks as part of recompense. Though the recompense is higher than previously expected, same has been funded internally and has not affected liquidity. Company's exit from CDR, release of pledged shares enhances the financial flexibility of company and raises the ability to raise funds in case of any exigency. Pursuant to the CDR exit process, company has also been able to bring down its borrowing rates significant, which shall result in improved debt protection measures for the group.

The ratings reflect the group's established market position, healthy financial profile and sound operating efficiencies. These strengths are partially offset by its capital intensive operations, susceptibility to adverse changes in government regulations, and concentration in end-user industries.

Analytical Approach:

For arriving at its ratings, CRISIL Ratings has combined the business and financial risk profiles of ML and its subsidiaries, 20 Microns Nano Minerals Ltd (NANO), 20 Microns FZE (20MFZE), 20 Microns SDN BHD (20MSDN), 20 MCC Private Limited (20 MCC) and 20 Microns Vietnam Company Limited. This is because all these companies, collectively referred to as the 20ML group, have a common management team, and operational and financial linkages. ML has 97.21% stake in NANO and 100% stake in all the other entities. Moreover, 20ML has extended a corporate guarantee to the bank facilities of NANO.

Key Rating Drivers & Detailed Description

Strengths:

Established market position: The group has an established presence in micronized minerals segment catering to customers like Berger Paint, Akzo Nobel, Asian paints among others. With relationship developed over years, the group is among the dominant supplier, in its product segments, to these players. The group is among the leading producers of ultrafine industrial minerals and specialty chemicals, which find application as functional fillers, additives and extenders. It generates around 15% of its turnover through export.

Moderate financial profile: The group has a strong net worth of Rs. 211 cr as on March 31, 2021. The indebtedness (total outside liabilities to tangible networth ratio) and gearing stood at 1.12 times and 0.48 times respectively as on March 31, 2021. The group's capital structure is estimated to further consolidate in current fiscal with TOLTNW ratio estimated around 1 times. Over the last few years, the group has primarily relied on internal accruals to fund the incremental opex and capex

requirements, restraining the reliance on debt. The group had interest coverage and net cash accruals to total debt ratios of 2.37 times and 0.36 times respectively in 2020-21. The moderation in debt levels, interest rate, lower recompense and recovery in margin shall result in improved interest coverage around 4 times in current fiscal with further improvement over medium term.

The exit from CDR (corporate debt restructuring) and release of pledged shares coupled with improving market capitalization also support an improved financial flexibility for the group.

Sound Operating efficiency: The group enjoys a healthy return on capital employed expected around 18-20% over medium term and maintains a moderate operating margin around 12-14%. The group benefits from its geographically widespread locations (9 plants spread in India) controlling logistics and saving time. Further, group also enjoys economies of scale supported by continued revenue growth.

Weakness

Working capital intensive operations: Gross current assets were at 165 days as on March 31, 2021. This is driven by around 2.5 months of debtors and inventory of around 3 months. The buildup of inventory prior to monsoon pushes up working capital requirements during the period. The working capital requirements are partially offset by average creditors of around 4 months bridging the requirements significantly. Continued support from creditor shall remain critical in meeting the working capital requirements.

High fixed asset replacement requirements: The mineral micronization industry operates at low asset turnover ratio of 1-1.5 times indicating high fixed assets requirement. Moreover, the inherent nature of work, involving micronization of minerals, results in high wear and tear in plant. Consequently, the group needs to incur significant annual maintenance capex to sustain its production capacity, consuming a hefty share of its accruals.

Susceptibility to adverse changes in government regulations, and concentration in revenue profile: The industry is highly susceptible to government regulations, and any unfavourable changes in policies (viz. ban on mining, stringent environment norms, changes in royalties among other) may adversely impact the performance. Further, the company is exposed to high concentration in its revenue profile with paint and plastic industry contributing around three quarters of its revenues. This exposes the group to economic cycles with demand taking a beating in slowing economy.

Also, the group faces high customer concentration risk with the top five customers contributing almost half of its turnover.

Liquidity: Adequate

Liquidity profile is adequate backed by healthy cash accruals against modest repayment obligations, moderate bank limit utilization and healthy financial flexibility. The group is expected to generate annual accruals of Rs. 45-50 cr against term loan repayment of around Rs. 5 cr apart from maturing FD of Rs.7-9 cr in next 2 fiscals. Bank limit utilisation is moderate at around 77percent for the past twelve months to January 2022 despite the working capital intensity. Current ratio is moderate at 1.23 times on March 31, 2021. Further the release of pledged shares, exit from CDR and controlled leverage provide healthy financial flexibility.

Outlook Stable

CRISIL Ratings believe the group will continue to benefit from the extensive experience of its promoter, and established relationships with clients. Financial profile shall continuously improve in absence of any significant capex.

Rating Sensitivity factors

Upward factor

- Sustained improvement in the financial profile.
- Improved business profile marked by more diversified industry, customer profile with revenue growth of around 15% on steady basis.

Downward factor

- Significant stretch in working capital cycle or sharp decline in the accruals
- Pressure on topline or moderation in margin to below 10% indicating decline in business profile

About the Group

ML was incorporated in 1987. ML is promoted and managed by Late Mr. Chandresh Parikh and his sons- Mr. Rajesh Parikh and Mr. Atil Parikh. The company is listed on BSE Ltd and National Stock Exchange Ltd. ML is engaged in manufacturing micronized minerals such as calcium carbonate, calcined clay and other specialty minerals.

Nano was incorporated in 1993. Nano is engaged in processing and selling of specialty chemicals such as calcite, wax, SCD.

Key Financial Indicators- Consolidated

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	484	529
Reported profit after tax	Rs crore	23	24
PAT margins	%	4.8	4.6
Adjusted Debt/Adjusted Net worth	Times	0.36	0.29
Interest coverage	Times	2.37	3.15

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 Crore)	Complexity Level	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	61	NA	CRISIL BBB+/Stable
NA	Short Term Bank Facility	NA	NA	NA	26.9	NA	CRISIL A2

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
20 Microns Ltd	Full Consolidation	Common management team, operational and financial linkages. ML has 97.21% stake in NANO and 100% stake in all the other entities. Moreover, 20ML has extended a corporate guarantee to the bank facilities of NANO.
20 Microns Nano Minerals Ltd		
20 Microns FZE		
20 MCC Private Limited		
20 Microns Vietnam Company Limited		
20 Microns SDN BHD		

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	87.9	CRISIL BBB+/Stable / CRISIL A2		--	08-01-21	CRISIL A3+ / CRISIL BBB/Stable	31-12-20	CRISIL BBB/Stable		--	Withdrawn
Non-Fund Based Facilities	ST		--		--		--		--		--	Withdrawn

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	34	State Bank of India	CRISIL BBB+/Stable
Cash Credit	12	IDBI Bank Limited	CRISIL BBB+/Stable
Cash Credit	15	State Bank of India	CRISIL BBB+/Stable
Short Term Bank Facility	26.9	State Bank of India	CRISIL A2

This Annexure has been updated on 24-Mar-2022 in line with the lender-wise facility details as on 30-Jul-2021 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

[Assessing Information Adequacy Risk](#)

[CRISILs Approach to Recognising Default](#)

CRISILs Criteria for rating short term debt**CRISILs Criteria for Consolidation****Understanding CRISILs Ratings and Rating Scales**

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