Classic Products Private Limited (CPPL)

January 10, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	36.86	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Rating Assigned	Simple
Total	**36.86 (Rupees Thirty Six crore and Eighty Six lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned rating to the bank facilities of CPPL which derive strength from its experienced promoters and long track record of the company and established relationship with reputed clientele. However, these rating strengths are partially offset by moderate scale of operations and profitability, moderate capital structure and debt protection metrics, working capital intensive nature of operations and exposure to intense competition.

The Stable Outlook of CPPL reflects benefit from experienced promoters and moderate financial risk.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Deterioration in liquidity profile of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established relationship with reputed clientele**
  CPPL has long-term relationships with its clientele, which helps with repetitive orders. Some of its long-standing and repetitive customers comprise Arcelormittal Nippon Steel India Limited, Jindal India Limited, Saint Gobain Glass India Limited, Tata Steel Limited etc.

- **Experienced promoters and long track record of the company**
  CPPL was started in the year 1998. CPPL is promoted by Mr. Suresh Balwantsingh Mutneja and Mrs. Shallu Suresh Mutneja. The promoters are having more than two decades in the packaging industry. The promoters are actively engaged in day-to-day affairs of the company, ably supported by a well experienced second line of executives.

Key Rating Weaknesses

- **Moderate scale of operations and profitability**
  Total operating income has remained stagnant during last three financials i.e. from Rs.121.75 crore in FY22 to Rs.124.00 crore in FY24 (period refers to April 1, 2023, to March 31, 2024). This stagnation is primarily attributed to subdued demand within the industrial packaging sector and heightened competition. Total operating income has increased by ~7% to Rs.101 crore in 9MFY25 against Rs.94.69 crore in 9MFY24, primarily due to a higher volume of order execution. EBITDA margin and PAT margin have remained moderate at 6.66% and 1.32% respectively in FY24 (P.Y.: 6.18% and 1.64%).

- **Moderate capital structure and debt protection metrics**
  CPPL’s capital structure has improved during last three financial years with improvement in overall gearing on adjusted TNW (ATNW) and TOL/ATNW, however, still stood at moderate level at 1.11x and 1.81x respectively in FY24 (P.Y.: 1.21x and 1.95x respectively) due to repayment of term loans and increase in networth on account of accretion of profits to reserves. Debt protection metrics has improved in FY24 with interest

coverage ratio which stood moderate at 1.94x in FY24 (P.Y. 1.76x), interest coverage ratio has improved due to improvement in profitability and also decline in interest cost. However, total debt/ NCA has remained stable at 10.36 years in FY24 (P.Y.10.58 years). IVR expects debt protection metrics are expected to be remain moderate through FY25-FY27 with absence of any debt led capex and expected stable EBITDA margin.

- **Working capital intensive nature of business operations:**
  CPPL's operations are working capital intensive in nature evident by net working capital cycle of 169 days at the end of FY24 (FY23: 166 days), mainly on account of high inventory days of around 165 days, as the CPPL needs to maintain inventory to meet the needs of its customer base (on need basis), which results in high inventory level, whereas creditors days stood at 58 days and collection stood at 62 days. This helps the CPPL for its working capital mismatches.

- **Exposure to intense competition**
  The company works in the highly competitive and segmented packaging sector, mainly serving the steel and glass industries with packing services. The packaging industry has many players in the market leading to intense competition. While large, organized players offer products at competitive rates because of economies of scale and access to advanced technology, small players cater to local, price-sensitive customers. Although high customisation partially limits threat from imports, intense competition may continue to constrain scalability, pricing power and profitability.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Stretched

CPPL's liquidity is expected to remain stretched given the expected cash accruals in the range of Rs.3.56 crore to Rs.5.28 crore in the period of FY25 to FY27 as against the repayments of Rs.2.95 crore to Rs. 1.61 crore during FY25 to FY27. The free cash and cash equivalents balance stood at Rs.5.24 crore as on March 31, 2024, while average working capital utilisation for the 12 months ended December 2024 has remained high at ~94%. Current ratio stood at 1.49x as on March 31, 2024.

About the Company

CPPL was established as a sole proprietor in the year 1998 as Packaging Material Suppliers. Subsequently dated March 17, 2004 the same was converted into private limited company. CPPL is based out of Mumbai. The company is engaged in providing customized industrial packaging services and solutions for steel and glass industry.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	125.43	124.00
EBITDA	7.75	8.26
PAT	2.07	1.65
Total Debt	40.91	38.96
Tangible Net Worth	33.75	34.95
EBITDA Margin (%)	6.18	6.66
PAT Margin (%)	1.64	1.32
Overall Gearing Ratio (x)	1.21	1.11
Interest Coverage (x)	1.76	1.94

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

CARE ratings has classify the company under ISSUER NOT CO-OPERATING category vide PR dated January 24, 2024, on account of lack of adequate information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security / Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
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1.	Cash Credit	Long Term	33.00	IVR BB+/ Stable	--	--	--
2.	Term Loans	Long Term	3.86	IVR BB+/ Stable	--	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	33.00	IVR BB+/ Stable
Term Loans	-	-	-	Upto January 2029	3.86	IVR BB+/ Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Classic-Products-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.