

## Premedium Pharmaceuticals Private Limited

February 18, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable] and withdrawn
<b>Total Bank Facilities</b>	<b>0.00 (Rs. Only)</b>		

Details of instruments/facilities in Annexure-1

@ The above ratings are based on the credit enhancement in the form of an unconditional and irrevocable corporate guarantee provided by Classic Industries and Exports Limited (CIEL)  
Company was having unsupported rating of CARE BB+ (Double B plus)

Unsupported Rating	Withdrawn
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### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Premedium Pharmaceuticals Private Limited (PPPL) takes into account the credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Classic Industries and Exports Limited (CIEL). The above rating is solely based on CARE's view on guarantor's credit profile and accordingly the rating rationale highlights the key credit risk assessment parameters for the guarantor. Further on clients request & NOC from lender we are withdrawing rating assigned.

### Detailed Rationale & Key Rating Drivers of Classic Industries and Exports Limited (CIEL)

The rating assigned to the bank facilities of CEIL factor in presence of resourceful and experienced promoter- Apollo group, coupled with strong operational synergies from the flagship company; Apollo Tyres Limited (ATL). The rating also takes into account CIEL's varied product profile, comfortable financial position characterized by favourable capital structure and healthy liquidity position. The ratings are however constrained by high customer concentration risk and exposure to intense competition.

### Key Rating Drivers of Premedium Pharmaceuticals Pvt Ltd (PPPL)

The unsupported rating assigned to the bank facilities of Premedium Pharmaceuticals Pvt. Ltd (PPPL) is constrained by the weak financial risk profile due to initial stage of operation, high customer concentration risk, susceptibility of PPPL's business to various government regulations coupled with competitive and fragmented nature of industry. However, ratings derive strength from its resourceful parentage (CIEL) which has supported the company by way of corporate guarantee. The rating also factors in its experienced promoters and management team, diversified products and comfortable liquidity profile of PPPL.

### Key Rating Strengths

#### Resourceful promoter group and experienced management team

Classic Industries and Exports Ltd (CIEL) is promoted by Apollo Tyres Group. Mr. Onkar S. Kanwar, the Chairman & Managing Director of Apollo Tyres Ltd (ATL) is also the director of CIEL. Hence, CIEL comes under the enterprise influenced by Key Management personnel of Apollo Tyres Ltd (ATL). ATL is amongst the leading market players in the tyre segment with a long track record of over three decades. Classic Industries and Exports Ltd. (Erstwhile Classic Auto Tubes Limited) is predominantly focusing on products supporting tyre industry and the management of the company is supported by well experienced and qualified team of professionals.

#### Long track record and strong operational synergies with group company

CEIL commenced its operations from its manufacturing facility at Ranjangaon (Near Pune) for manufacturing of inner tubes and bladders in 1996. It has subsequently expanded its business into compound mixing, manufacturing of tyre moulds and tyre building machines (TBM). The company has a long track record of more than 2 decades in this line of business. CIEL is an exclusive supplier of TBM to Apollo Tyres Limited (ATL) who has strong presence in the truck and bus tyre segment. Further, CIEL is also working as a captive supplier of tyre moulds, tubes and TBM to ATL. CIEL caters almost 80-85% of ATL's tube requirements and 100% of ATL's bladder requirements.

#### Varied product profile

The company generates around 60% of its sales revenue through manufacturing of tubes and bladders, 30% from manufacturing of tyre moulds and machines and rest 10% from mixing different types of rubber compounds. CIEL tubes manufacturing facility is situated at Ranjangaon, Pune which is one of the largest capacity inner tube manufacturing plant in India. The plant has a capacity to produce 26,000 tubes per day ranging from tubes for passenger & commercial vehicles to

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

two-wheelers and OTR categories. The tyre mould and machine manufacturing facility is located at Chennai which consists of two divisions; mould division and machinery division, the manufacturing facility to mix different types of rubber compounds is situated at Kochi. Over the years the company has expanded its tyre mould and machine manufacturing facility such that its dependence on tube and bladder manufacturing declined to 60% in FY20 (refers to period April 01, 2019 to March 31, 2020) from 80% in previous years.

### Comfortable financial risk profile

The financial position of CIEL is characterized by favorable capital structure and earnings profile supported by healthy cash accruals. CEIL has posted TOI of Rs.550.82 crore in FY20 from Rs.530.09 crore during FY19 and has shown an improvement by 3.91% over FY19 level and a CAGR growth of 34.69% in total operating income over FY17-FY20. However, PBILDT margin has declined to 17.90% in FY20 (FY18: 36.04%) which is on account of change in business model from conversion arrangements (Job work basis) of tubes to manufacturing and sales of tubes on actual basis.

The company has generated healthy cash accruals of Rs.76.13 crore in FY20 (PY: Rs.66.07 crore). Further the capital structure of CIEL remained comfortable with long term debt-to-equity and overall gearing ratios of 0.01x and 0.02x respectively as on March 31, 2020 (P.Y: 0.05x). The coverage indicators marked by total Debt/GCA ratio at 0.12x (FY19: 0.38x) and interest coverage ratio at 52.00x (FY19: 30.72x).

### Key Rating Weaknesses

#### High customer concentration risk

Business performance of CIEL is closely linked to the fortunes of the principal customers. Currently CIEL supplying nearly 75-85% of its total sales to Apollo Tyres Ltd (ATL) which is amongst the market leaders in the tyre segment with track record of over three decades. Further CIEL caters around 80-85% of ATL's tubes requirement and 25-50% of its rubber compounds, tyre moulds and TBM requirement. The business operations of CIEL are therefore vulnerable to the performance of the principal customer (i.e, ATL). Further, there is customer concentration risk associated with the same, however customer concentration risk is partly mitigated by ATL's strong market position in the domestic market.

#### Exposure to intense competition

The auto-ancillary industry is highly competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers. Further, tyre component business is characterised by high competitive intensity in the industry that restricts company's pricing flexibility to an extent and automotive component suppliers sales are directly linked to sales of domestic passenger/ commercial vehicles, which is directly proportional to the performance of the economy. While wholesales demand of the vehicles have grown sequentially each month in FY21, but reaching pre-covid levels is unlikely this year as its performance is directly proportional to the economy, which has not fully recovered. The possibility of another lockdown in the country due to a global second wave of Covid-19, acts as a major threat and could seriously hamper the demand for commercial vehicles not only in the remaining months of FY21, but also in FY22. However, CIEL's profitability is supported by the varied product profile along with the complete engineering solutions which yield healthy margins and thus support the company's overall profitability. The company's established relations with its key customers also provide some cushion against the said risk of competitive intensity.

#### Liquidity Analysis: Adequate

The liquidity profile remained adequate with average working capital utilization of around 10-15% for past 12 months ending October 2020. CIEL had free cash balance of Rs.64.16 crore (including Rs.50.27 crore of fixed deposits) as on March 31, 2020 and around Rs.45.00 crore as on November 20, 2020 as against 5.89 crore of term debt obligations during FY21 out of which Rs.5.23 crore has already been paid. Against such repayment obligations, GCA generated in FY20 stood at Rs.76.13 crore. CIEL has not availed any moratorium/OTR facility as per RBI COVID-19 guidelines. Analytical approach: For CE ratings: Unconditional & irrevocable guarantee provided by Classic Industries Exports Limited (CIEL). CARE has considered standalone financials of CIEL. For unsupported ratings: Standalone with notching up for linkages with CIEL.

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### Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for manufacturing companies](#)

[Rating Methodology- Consolidation](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

Classic Industries and Exports Ltd. (Erstwhile Classic Auto Tubes Limited) was incorporated in 1996 and is predominantly focusing on products supporting tyre industry. The company name has been changed to Classic Industries and Exports Ltd in 2019 from Classic Auto Tubes Limited in view of the current diversified business nature of the company. CIEL is 100% holding company of PPPL, Further CIEL is a part of the Apollo Group, whose flagship company is ATL. Sunrays Properties and Investment Company Private Limited is the majority shareholder (99.94%) of CIEL and is one of the primary shareholders of ATL with a 6.35% stake as on March 31, 2020. CIEL also owns 2.71% stake in ATL.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	55.39	55.23	NA
PBILDT	-3.92	-5.71	NA
PAT	-4.16	-9.60	NA
Overall gearing (times)	3.72	-4.24	NA
Interest coverage (times)	-4.07	-3.14	NA

A: Audited; NA: Not Applicable

### Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	Withdrawn

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE A-(CE); Stable (03-Dec-20)	-	-
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	1)CARE BB+(03-Dec-20)	-	-

\* Long Term / Short Term

### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Un Supported Rating-Un Supported Rating (Long Term)	Simple

### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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