

CMI Limited

January 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	306.99	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	235.00	CARE D / CARE D; ISSUER NOT COOPERATING* (Single D / Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	541.99 (Rs. Five Hundred Forty-One Crore and Ninety-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from CMI Limited (CMI) to monitor the ratings vide e-mail communications/letters dated December 21, 2021, and December 30, 2021 among others. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on CMI Ltd.'s bank facilities will now be denoted as **CARE D/CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account irregularities in the debt servicing for working capital facilities attributable to weak liquidity position of the company. Further, the ratings take cognizance of extension of LC usance period from 180 days to 270 days/inter-changeability of non-fund based limit to fund based limit by the lead bank till December 31, 2020 which regularized the earlier delinquencies, however the continued weakening of liquidity which stems from delay in receivables has led to continued delays in debt servicing for working capital facilities.

Detailed description of the key rating drivers

At the time of last rating on November 12, 2020 the following were the rating weaknesses (updated for the information available from stock exchange):

Key Rating Weaknesses

Delays in servicing of debt obligations: Due to disruption in the operations owing to the outbreak of Covid-19 pandemic which led to low capacity utilization, reduction in sales and lower collections weakened the liquidity profile of the company. In line with RBI's directive for Covid relief, the lender sanctioned the fund-based limits to tide over the temporary cash flow mismatches and also extended the LC usance period from 180 days to 270 days/inter-changeability of non-fund based limit to fund based limit up to June 30, 2020. However, these sanctions/extensions expired after June resulting in irregularities in conduct of account. Later, in October 2020, the lender has extended the validity of these sanctions/extensions till December 31, 2020. However, there are ongoing delays with some of the lenders due to stretched liquidity position of the company on account of delay in collection of payment from its customers.

Weak operational performance during FY21 (refers to the period from April 01 to March 31) and H1FY22 (refers to the period from April 01 to September 30): CMI's operating performance was adversely impacted with 59.68% decline in total operating income to Rs.206.12 crore in FY21 (PY: Rs.511.24 crore). The company reported net operating loss of Rs.20.60 crore during FY21 as compared to operating profit of Rs.61.29 crore during FY20. Further, the company reported net loss of Rs.194.60 crore during FY21 as compared to net profit of Rs.3.70 crore during FY20. During H1FY22, the total operating income of the company declined by 36.61% to Rs.45.67 crore (PY: Rs.72.04 crore). CMI reported net operating loss of Rs.10.61 crore (PY: Rs.10.35 crore) and net loss of Rs.92.61 crore in H1FY22.

Working capital intensive operations: CMI is a 100% B2B company with significant revenue from PSUs. The agreed payment terms in government contracts are between 90-120 days which actually stretches up to 200 days. Resultantly, average

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

collection period of the company stood high at 320 days during FY21 (PY: 182 days). Moreover, as these entities buy the final stock only post inspection, the CMI's inventory holding period in FY21 stood at 309 days (PY: 146 days).

Susceptibility of margins to volatility in raw material prices: CMI's business is raw material intensive with raw material costs forming majority of its total operating cost. Primary raw materials for CMI are copper and aluminium forming more than 60% of total raw material costs, prices of which are highly volatile. However, contracts typically incorporate a price variation clause (PVC) where a company passes on any volatility in the underlying commodity without impacting its margins. The purchase prices are benchmarked to international indices such as London Metal Exchange (LME). During bidding for the government contracts, CMI incorporates the ruling rate of commodities in the bidding price.

Competition in the cable industry: The Indian cable industry is highly competitive and fragmented with a large number of cable producers in both organized and unorganized sector, leading to the pressure on prices. However, CMI being in existence for over three decades in the cable industry has proven product quality standards for supply of niche cable products and CMI has an advantage with key approvals from the Indian Railways, SEBs, BHEL, NTPC, oil refinery companies etc as pre-qualification criteria for most government projects is stringent. This creates a huge entry barrier as a new player will take anywhere between 1 and 4 years to qualify.

Liquidity: Poor

The temporary closure of business operations due to lockdown has squeezed CMI's liquidity. The company has been granted moratorium by its working capital and term loan lenders towards payment of interest and instalments in line with RBI's Covid-19 relief scheme. Besides, the company has also been granted ad-hoc limits of Rs. 7.50 crore from its bankers. The counter party risk is low for the company as majority of its customers are PSUs, however, delays in payments from the customers led to cash flow mismatches. The company was extended relief in form of interchangeability between and fund and non-fund based limits and extension of usance period of LC from 180 days to 270 days till December 31, 2020, however, slower than anticipated recovery in business operations, inability to procure raw material and stretched receivables have led to continued irregularities in the working capital facilities beyond 30 days.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Analytical Treatment of Restructuring - COVID](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy On Curing Period](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

CMI Ltd. was incorporated in 1967 under the name of Choudhari Metal Industries Private Limited. CMI Limited was taken over by the present promoter Mr. Amit Jain in 2007. CMI is a B2B multi-specialty cable manufacturer and is engaged in the manufacturing of cables for various industries in segments such as railways, utilities, oil and gas, petrochemical, energy, industrial, power amongst others. The product range of CMI includes signaling, instrumentation, control, power, telecommunication cables etc. CMI has two manufacturing facilities one located in Faridabad, Haryana and the other at Baddi, Himachal Pradesh with installed capacity of 47,000 km and 1,93,140 km respectively as on March 31, 2020. On February 29, 2016, CMI has acquired 100% shareholding of CMI Energy India Private Limited (CMIE; formerly known as General Cable Energy Private Limited) from a Fortune 500 company- General Cable Corporation, USA. The operations commenced from April, 2016 at Baddi manufacturing facility.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (P)
Total operating income	511.24	206.12	45.67
PBILDT	61.29	-20.60	-10.61
PAT	3.70	-194.60	-92.61
Overall gearing (times)	1.09	2.51 [^]	
Interest coverage (times)	1.53	NEG*	NEG*

A: Audited, P: Provisional [^]: excluding L.C. Acceptances, NEG*: Negative

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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		-	-	-	220.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-BG/LC		-	-	-	235.00	CARE D / CARE D; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	February 2025	86.99	CARE D; ISSUER NOT COOPERATING*

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	220.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D (12-Nov-20) 2)CARE D (25-Sep-20) 3)CARE BBB; Stable (30-Jul-20)	1)CARE BBB+; Stable (26-Feb-20) 2)CARE BBB+; Stable (07-Oct-19)	1)CARE BBB+; Stable (04-Oct-18)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	235.00	CARE D / CARE D; ISSUER NOT COOPERATING*	-	1)CARE D / CARE D (12-Nov-20) 2)CARE D / CARE D (25-Sep-20) 3)CARE BBB; Stable / CARE A3 (30-Jul-20)	1)CARE BBB+; Stable / CARE A3+ (26-Feb-20) 2)CARE BBB+; Stable / CARE A3+ (07-Oct-19)	1)CARE BBB+; Stable / CARE A3+ (04-Oct-18)
3	Term Loan-Long Term	LT	86.99	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D (12-Nov-20) 2)CARE D (25-Sep-20) 3)CARE BBB; Stable (30-Jul-20)	1)CARE BBB+; Stable (26-Feb-20)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

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	Non-fund-based - LT/ ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

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.

Contact us

Media Contact

Name: Mradul Mishra
 Contact no.: +91-22-6754 3573
 Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Sachin Mathur
 Contact no.: +91-11-45333206
 Email ID: sachin.mathur@careedge.in

Relationship Contact

Name: Swati Agrawal
 Contact no.: +91-11-4533 3200
 Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

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.