

## CMR Green Technologies Limited

March 06, 2023

| Facilities/Instruments    | Amount<br>(₹ crore) | Rating <sup>1</sup> | Rating Action  |
|---------------------------|---------------------|---------------------|--|
| Long Term Bank Facilities | -                   | -                   | Revised to CARE A+; Stable from CARE AA-; Stable and Withdrawn |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited has reviewed and revised the outstanding rating of CMR Green Technologies Limited (CMRGTL) to 'CARE A+; Stable' from 'CARE AA-; Stable' and simultaneously withdrawn with immediate effect. The above rating action has been taken at the request of CMRGTL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE. The revision of rating assigned to the bank facilities of CMRGTL factors in the significant contraction in the profitability margins during 9MFY23 (refers to the period April 01 to December 31) compared to FY22 (refers to the period April 01 to March 31) and similar period previous year. PBILDT margin declined to 2.03% during 9MFY23 as against 11.02% during the previous corresponding period. The contraction was largely on account of significant decline in sales realization and purchase of aluminium scrap at higher prices. The rating continues to remain constrained by the working capital intensive nature of operations, risk related to fluctuation in raw material prices, ongoing debt funded capex, susceptibility to cyclical in auto industry and limited pricing power.

The rating, however, continue to derive strength from the market leadership of the company in aluminium recycling industry and experienced promoters with over two decades of experience in the industry. The rating also derive comfort from reputed customer base providing consistent stream of repeated order inflows, strategic location of the plants near to the clients, healthy financial risk profile characterized by comfortable overall gearing and debt coverage indicators.

### Analytical approach: Consolidated

The group entities are involved into similar line of business and have common management. The list of subsidiaries considered for consolidation is given in Annexure-5.

### Outlook: Stable

The Stable outlook on CMRGTL's long term rating reflects CARE's expectation that company will continue to benefit from its market leadership position in aluminium recycling industry, long standing relations with key customers and steady demand for the secondary aluminium.

### Key strengths

#### Market leadership in the aluminium recycling industry

CMR is one of India's major producers of recycled aluminium and zinc die-casting alloys with a combined annual capacity of over 370,700 MTPA spread across 12 manufacturing plants. CMR group is also engaged in the segregation and sale of metal scrap as a part of the manufacturing process (with specific focus on stainless steel, brass, copper and zinc). The company is one of the major suppliers to OEMs and Tier-1 manufacturing automobile companies. Most of the plants of the company are situated near to their customers thereby enabling easy delivery of liquid metal to the customers for sustained timely delivery. The group has consistently invested in technological upgradation every 2-3 years to produce quality products and also partnered through JVs which has helped the group in building its technological expertise. The company's product portfolio includes both liquid as well as solid form of aluminium alloy ingots. The company has consistently increased its metal sales in the molten form which currently constitutes ~65% of the total sales, largely attributed to several advantages offered to both manufacturers as well as end customers in the auto segment.

#### Healthy operational performance albeit moderation during 9MFY23

CMR Group has added 86,200 tonnes of capacity over fiscals 2018 to 2022. The operating margin has been improving y-o-y on account of increased share in manufacturing of molten aluminium which results in savings of melt loss and energy cost to manufacturers as against manufacturing through the solid route. PBILDT margin has improved over the last few years though moderated slightly to 10.47% in FY22 (From April 01, 2021 to March 31, 2022) from 12.30% in FY21. The Group has a technological superiority with state of the art machinery for media separation (for segregation of non-ferrous scrap), induction

<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

sorters (for segregation of stainless steel), colour sorters (for sorting of heavy metals), pump furnace (to maintain homogenized melt quality) and bag houses for pollution control. This has also resulted in cost efficiencies and improvement of margins over the last few years. However, the margins witnessed moderation during 9MFY23.

### **Comfortable financial risk profile characterized by healthy debt coverage indicators**

The company has comfortable financial risk profile characterized by growth in operating income, profitability and gross cash accruals with comfortable overall gearing and debt coverage indicators. During FY22, the company on a consolidated basis reported a growth of ~72% in total operating income to Rs.5,019.14 crore over FY21. The company's strong presence in market along with establishment of new plants and capacity expansion has led to increase in overall revenue. The company at consolidated level has reported EBIDTA of Rs.525.46 crore in FY22 as against Rs.358.84 crore in FY21. The Company has reported growth in PAT and GCA to Rs.357.35 crore & Rs.391.99 crore respectively in FY22 from Rs.40.73 crore & Rs.293.34 crore respectively in FY21. The overall gearing stood healthy at 0.94x at the end of FY22. The debt coverage indicators stood healthy with interest coverage and total debt/GCA ratio of 10.09x (PY:9.13x) and 2.15x (PY:1.74x) respectively during FY22. However, debt coverage indicators moderated during 9MFY23 as shown by interest coverage of 1.88x and total debt/GCA ratio of 9.43x. Company has ongoing debt funded capex for two new projects based in Andhra and Odisha and any higher than envisaged debt funding may adversely impact the financial risk profile going forward.

### **Key weaknesses**

#### **Significant contraction in profitability margins during 9MFY23**

During 9MFY23, there has been significant contraction in the profitability margins of the company on the backdrop of significant decline in commodity prices and booking of scrap at a higher price as company's transit inventory is around 3 months. This has resulted in significant decline in PBILDT margin to just 2.03% in 9MFY23 compared to 11.02% during 9MFY22. Though this is expected to improve from Q4FY23 onwards, the overall margins for FY23 are expected to be significantly lower than the earlier expectations thereby impacting the debt coverage indicators.

#### **Working capital intensive nature of operations**

The company's operations are moderately working capital intensive in nature. The company has outstanding working capital loans of Rs.725.89 crore as on March 31, 2022, and same is expected to increase going forward due to scale up of operations. The company at consolidated level has operating cycle of 71 days in FY22 (PY:48 days). The company on an average has payable days of 18 days as some of the payments to the suppliers are to be made in advance.

#### **Susceptibility to cyclical in auto industry**

The automobile industry is cyclical in nature and sales are directly linked to sales of auto OEMs. Further, the auto-ancillary industry is 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.

#### **Raw material price fluctuation**

The major raw materials used by group is aluminium scrap which have shown volatile trend in price in the past. The company procures all of its raw materials from reputed players but is exposed to the price fluctuation risk. Any sharp variation in the raw material prices may adversely impact the margins of the company. Like, company has suffered due to volatility in aluminum scrap prices during 9MFY23.

#### **Liquidity: Adequate**

The liquidity position of the company is adequate marked by sufficient cushion between projected cash accruals and its repayment obligations. Further, the group has sanctioned fund-based working capital limits to the tune of Rs.748.35 crore for which the average utilization stood at 51% for the trailing 9 months ended Nov 2022. The group also has planned capex of around Rs.182 crore in FY23 which will be funded through tied up debt of around Rs.60 crore and internal accruals of ~Rs.121 crore.

### **Applicable criteria**

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)  
[Non Ferrous Metal](#)  
[Policy on Withdrawal of Ratings](#)

### About the company and industry

CMR Green Technology Limited (CMRGTL) (earlier known as Grand Metal Industries Limited) is one of the major producers of aluminium and zinc die-casting alloys in India with a combined annual capacity of over 310,700 MT as on March 31, 2022. The company was incorporated in the year 2005 and is currently managed by the promoters viz. Gauri Shankar Agarwal, Mohan Agarwal, Kalawati Agarwal and Pratibha Agarwal. The CMR group is also engaged in the segregation and sale of metal scrap as a part of the manufacturing process. CMR Group is presently operating through 12 manufacturing plants including 4 plants under two Joint Ventures with renowned Japanese companies, Toyota Tsusho Corporation and Nikkei MC Aluminium. Out of which, 10 plants undertake aluminium recycling operations, targeted towards the automotive manufacturing sector in India and overseas. CMR Group's 12th Plant is in Gujarat which started operating in 2020 for recycling of ELVs (End-Of-Life-Vehicles) by dismantling, shredding, and sorting of parts of ELVs.

### Industry Classification

| Macro Economic Indicator | Sector          | Industry             | Basic Industry |
|--------------------------|-----------------|----------------------|----------------|
| Commodities              | Metals & Mining | Non - Ferrous Metals | Aluminium      |

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | 9MFY23(UA) |
|----------------------------|--------------------|--------------------|------------|
| Total operating income     | 2,918.55           | 5,019.14           | 4,437.11   |
| PBILDT                     | 358.84             | 525.46             | 90.20      |
| PAT                        | 40.73              | 356.92             | 12.69      |
| Overall gearing (times)    | 0.96               | 0.94               | 0.40       |
| Interest coverage (times)  | 9.13               | 10.09              | 1.88       |

A: Audited, UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

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

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-6

### Annexure-1: Details of instruments/facilities

| Name of the Instrument      | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit |      | -                             | -               | -                          | 0.00                        | Withdrawn                                 |

**Annexure-2: Rating history for the last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |        | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|--------|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1       | Fund-based - LT-Cash Credit            | LT              | -                            | -      | 1)CARE AA-; Stable (15-Nov-22)              | -   | -   | -   |

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument      | Complexity Level |
|---------|-----------------------------|------------------|
| 1       | Fund-based - LT-Cash Credit | Simple           |

**Annexure-5: List of entities forming part of consolidated financials (as on March 31, 2022)**

| Sr. No | Name of Company                             | Holding |
|--------|---|---------|
| 1      | CMR Nikkei India Private Limited            | 74.00%  |
| 2      | CMR Toyotsu Aluminium India Private Limited | 70.00%  |
| 3      | CMR Aluminium Private Limited               | 100.00% |
| 4      | CMR-Kataria Recycling Private Limited       | 51.00%  |
| 5      | CMR ECO Aluminium Private Limited           | 100.00% |

**Annexure-6: Lender details**

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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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