

International Metal Industries

January 15, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total Facilities	8.00 (Rs. Eight Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 24, 2019 placed the ratings of International Metal Industries (IMI) under the 'issuer non-cooperating' category as IMI had failed to provide information for monitoring of the rating. IMI continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated December 16, 2020, December 30, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

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

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by IMI with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing by Small scale of operations with low net worth base, Low PAT margin, leveraged capital structure and weak coverage indicators, Elongated collection period and weak liquidity indicators, Raw material price variability, Susceptible to cyclicity of steel industry and highly competitive nature of industry.

The ratings, however, continue to take comfort from experienced proprietor and Growing scale of operations.

Detailed description of the key rating drivers

At the time of last rating on December 24, 2019 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with low net worth base

The scale of operations has remained small marked by total operating income of Rs.11.91crore and gross cash accruals of Rs.0.48 crore during FY18 (FY refers to period April 1 to March 31). Further, the proprietor's capital base remained relatively low at Rs.3.90 crore as on March 31, 2018. The small scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits.

Low PAT margin, leveraged capital structure and weak coverage indicators

Though, PBILDT margin continued to remain moderate at 9.83% in FY18. However, high interest and depreciation cost has restricted the net profitability of the firm and PAT margin stood below unity at 0.54% in FY18. Capital structure marked by overall gearing deteriorated at 1.67x as on March 31, 2018 as against 1.03x as on March 31, 2017 mainly on account of higher utilization of working capital limits as on balance sheet date. Further, the debt service coverage indicators marked by interest coverage ratio and total debt to GCA (TDGCA) deteriorated to 1.69x and 13.64x respectively in FY18 as against 2.44x and 7.48x respectively in FY17 mainly on account of increase in debt levels, consequently resulting into higher interest cost. Further, deterioration in TDGCA has also taken into account lower gross cash accruals.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Elongated collection period and weak liquidity indicators

The collection period of the firm continued to remain elongated at 332 days for FY18. Being engaged in highly competitive business, the firm has to allow high credit period to its customers. Further, the firm registers significant sales during last quarter of the financial year. The firm maintains inventory in form of raw material for smooth functioning of its manufacturing process. Also, the firm maintains inventory in form of finished goods to meet the demand of the customers. Hence, the average inventory period stood at 140 days for FY18. Further, the liquidity indicators continue to remain weak as marked by current and quick ratio of 1.07x and 0.78x respectively as on March 31, 2018.

Raw material price variability

The firm has no long-term contract price with its raw material suppliers and the firm sources the material on need basis as per the price prevailing in the market. This exposes the firm's margins to fluctuations in the prices of raw materials. Further, IMI is not able to pass on the rise in raw material prices to its end consumer due to stiff competition.

Susceptible to cyclicity of steel industry

Prospects of steel industry are strongly co-related to economic cycles. Demand for steel products is sensitive to trends of particular industries such as automotive, construction, infrastructure, cement, sugar, pipes and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, steel industry may witness decline in demand, which may lead to decrease in steel prices putting pressure on the entire value chain.

Highly competitive nature of industry

IMI operates in a highly competitive nature of industry where the presence of large number of players. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for production. This further leads to high competition among the various players and low bargaining power with the suppliers.

Key Rating Strengths**Experienced proprietor**

Mr. Jinendra Kumar Jain is a graduate by qualification and has an overall experience of around four decades in the metal industry through his association with this entity and associate entities.

Growing scale of operations

For the period FY16-FY18, IMI's total operating income grew from Rs.3.31 crore to Rs.11.91 crore reflecting a compounded annual growth rate (CAGR) of 89.69% owing to higher quantity of products sold. Furthermore, during 8MFY18 (refers to the period April 1 to November 30) the firm has achieved a turnover of Rs.6.62 crore.

Analytical Approach: Standalone**Applicable criteria**

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

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

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

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

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology – Steel Companies](#)

About the Firm

Himachal Pradesh based, International Metal Industries (IMI) was established in February, 2012 as a proprietorship concern by Mr. Jinender Kumar Jain and commenced its commercial operations in August, 2014. The firm is engaged in manufacturing of Stainless Steel cold and hot rolled sheets. The manufacturing facility of the firm is located at Bilaspur District, Himachal Pradesh with an installed capacity of 700 metric tons as on November 30, 2018. The major raw materials required for manufacturing stainless steel cold/hot rolled sheets is stainless steel sheets which it procures from V S Manufacturers, Butler Steel Private Limited, Aman Steel, Pooja Trading firm etc. Stainless Steel hot/cold rolled sheets produced by IMI are supplied to manufacturing companies located in Delhi and NCR viz. namely Siddhi Traders, Gaurav Steel Industries, Haryana Impex and Moksh Exim etc.

Non BFSI

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	9.55	11.91
PBILDT	0.92	1.17
PAT	0.06	0.06
Overall gearing (times)	1.03	1.67
Interest coverage (times)	2.44	1.69

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	8.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (24-Dec-19)	1)CARE B+; Stable (19-Dec-18)	1)CARE B+; Stable (23-Mar-18)

*Issuer did not cooperate; Based on best available information

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

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

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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