CMR Green Technologies Limited

November 15, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	100.00	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Assigned
Total Bank Facilities	**100.00 (₹ One Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of CMR Green Technologies Limited (CMRGTL) derives 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 along with healthy operational performance and sustained healthy profitability margins. These rating strengths are however, partially offset by the working capital intensive nature of operations, risk related to fluctuation in raw material prices, ongoing debt funded capex, susceptibility to cyclicality in auto industry and limited pricing power.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained improvement in scale of operations with TOI above Rs.6000 crore and PBILDT margin above 10%.
- Ability of the company to manage its working capital requirement while timely realizing its debtors leading to operating cycle of below 70 days on a sustained basis.
- Any equity infusion through IPO leading to significant improvement in financial risk profile

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any higher than envisaged debt funded capex/acquisition adversely impacting capital structure with the overall gearing exceeding 0.90x on a sustained basis.
- Decline in PBILDT margin to below 7% on a sustained basis.

Detailed description of the key rating drivers

Key Rating 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

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 sorters (for segregation of stainless steel), colour sorters (for sorting of heavy metals), pump furnace (to maintain homogenized

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

melt quality) and bag houses for pollution control. This has also resulted in cost efficiencies and improvement of margins over the last few years.

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 during Q1FY23 (From April 01, 2022 to June 30, 2022) has also reported strong financials. 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. 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 Rating Weaknesses
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 cyclicality 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. However, as the company has monthly pricing, therefore they are able to pass on the metal price fluctuation to customers and there is no major impact on profitability.

Liquidity: Strong
The liquidity position of the company is strong marked by healthy projected cash accruals of more than Rs.450 crore in FY23 against which it has repayment obligations of ~Rs.24.50 crore. 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 54% for the trailing 7 months ended Sep 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.

Analytical approach: Consolidated as 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.

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

About the company

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.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(UA)	H1FY23
Total operating income	2,918.55	5,019.14	1,580	NA
PBILDT	358.84	525.46	168.60	NA
PAT	40.73	356.92	113.40	NA
Overall gearing (times)	0.96	0.94	NA	NA
Interest coverage (times)	9.13	10.09	24.09	NA

A: Audited, UA: Unaudited, NA: Not 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 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 (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		-	-	-	100.00	CARE AA-; Stable

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	100.00	CARE AA-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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

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

Sr. No	Name of instrument	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: 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 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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