CMI Limited

March 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	306.99	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	235.00	CARE D / CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE had, vide its press release dated January 05, 2022, placed the rating(s) of CMI Limited under the 'issuer non-cooperating' category as the company had failed to provide information for monitoring of for the rating exercise as agreed to in its Rating Agreement. Company continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated November 21, 2022, December 01, 2022, December 11, 2022 and March 21, 2023.
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.

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 and the account has been classified as NPA by the lenders.

Analytical approach: Standalone

Detailed description of the key rating drivers: At the time of last rating on January 05, 2022 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. The account has subsequently been classified as NPA by the lenders.

Weak operational performance during FY22 (refers to the period from April 01, 2021 to March 31, 2022) and 9MFY23 (refers to the period from April 01, 2022 to December 31, 2022): CMI's operating performance was adversely impacted with 66.65% decline in total operating income to Rs. 67.75 crore in FY22 (PY: Rs.203.13 crore). The company reported net operating loss of Rs.85.32 crore during FY22 as compared to operating loss of Rs.23.59 crore during FY21. Further, the company reported net loss of Rs.142.90 crore during FY22 as compared to net loss of Rs.194.60 crore during FY21. During 9MFY23, the total operating income of the company declined by 80.12% to Rs.11.87 crore (PY: Rs.59.70 crore). CMI reported net operating loss of Rs.3.47 crore (PY: Rs.84.77 crore) and net loss of Rs.26.29 crore (PY: Rs.103.87 crore) in 9MFY23.

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 collection period of the company stood high at 653 days during FY22 (PY: 327 days). Moreover, as these entities buy the final stock only post inspection, the CMI's inventory holding period in FY22 stood at 262 days (PY: 277 days).

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

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 prequalification 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 Covid19 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.

Applicable criteria

Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	203.13	67.75	11.87
PBILDT	-23.59	-85.32	-3.47
PAT	-194.60	-142.90	-26.29
Overall gearing (times)	2.51	-24.19	NA
Interest coverage (times)	-0.52	-1.94	-0.14

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available' NA: Not Available

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ 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	-	-	-	28-02-2025	86.99	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	220.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (05-Jan-22)	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)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	235.00	CARE D / CARE D; ISSUER NOT COOPERATING*	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (05-Jan-22)	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)

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
3	Term Loan-Long Term	LT	86.99	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (05-Jan-22)	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)

*Issuer did not cooperate; based on best available information.
*Long term/Short term.

Annexure-3: Detailed explanation of 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
2	Non-fund-based - LT/ ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: 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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About us:

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