

MAY 6, 2016

CARE ASSIGNS 'CARE BBB+/CARE A2+' RATINGS TO THE BANK FACILITIES OF CMI FPE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities (Cash Credit)	50	CARE BBB+ (Triple B Plus)	Assigned
Short term Bank Facilities (Letter of Credit/Bank Guarantee)	150	CARE A2+ (A Two Plus)	Assigned
Total Facilities	200 (Rupees Two Hundred Crore only)		

Rating Rationale

The ratings assigned to the bank facilities of CMI FPE Limited (CFL) factor its relationship with Belgium-based Cockerill Maintenance & Ingénierie SA (CMI SA) being the ultimate parent company of CFL and CFL having technical support from the parent CMI Group. The ratings additionally benefit from the established track record and experience of the promoters and management of CFL and its global presence. The ratings are further strengthened by improvement in the leverage profile and debt protection indicators in FY15 (refers to the period from April 1 to March 31) and further in FY16 with full repayment of long-term loans from the sale proceeds of land/building.

The rating strengths are however tempered due to a moderate order book position, with significant decline in scale of operations and subdued profitability in the past three years, albeit showing some improvement in 9M FY16. Besides, CFL's elongated working capital cycle with its sales concentrated to the steel industry players facing weak liquidity are further factors constraining the ratings. Additionally, the company is exposed to foreign exchange fluctuation risk by virtue of CFL being a net exporter and the inherent cyclicity of the end user steel industry.

The ability of CFL to show a sustained improvement in its scale of operations, along-with timely execution of its order book and further achieve diversification of customers while improving its profitability margins and efficiently managing its operating cycle and maintaining a comfortable capital structure are the key rating sensitivities.

Background

CMI FPE Limited (formerly known as Flat Products Equipments India Ltd. [FPE]) was incorporated in 1986. CFL has been engaged in the designing, manufacturing, erection and commissioning of cold rolling mill, galvanising lines, colour-coating lines, tension levelling lines, skin pass mills, acid-generation plants, wet-flux lines and pickling lines meeting global demand for ferrous and non-ferrous industries since 28 years.

The company was promoted by late Mr. T.R. Mehta, both in India and overseas. Subsequently the company was taken over (75% stake in the equity share capital) by Cockerill Maintenance & Ingénierie SA (CMI SA), Belgium, from the founder promoters. The acquisition was completed in the year 2008. Consequently the name of the company was changed to CMI FPE Ltd. and has ever since been a part of the CMI industry vertical. CMI SA, Belgium and CMI Industry Automation Private Limited (CMIIAPL) together hold 75% stake in the equity share capital of CFL. CFL has its manufacturing facilities at Taloja and Hedavali, both in Maharashtra. It currently has a global footprint across Asia, Africa, Middle East, Europe and North America.

CFL registered a total income of Rs.142.22 crore and a PAT of Rs.2.43 crore for the period ended 9MFY16 as compared to a total income of Rs.230.29 crore and a PAT of Rs.9.47 crore in FY15 (refers to the period April 1 to March 31).

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo 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.

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CIN - L67190MH1993PLC071691