OCTOBER 07, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO 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)**	Reaffirmed
Short term Bank Facilities (Letter of Credit/Bank Guarantee)	150	**CARE A2+ (A Two Plus)**	Reaffirmed
Total Facilities	**200 (Rupees Two Hundred Crore only)**		

Rating Rationale

The ratings assigned to the bank facilities of CMI FPE Limited (CFL) continue to factor its relationship with Belgium-based; Cockerill Maintenance & Ingénierie SA (CMI SA) being the ultimate parent company of CFL. 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 FY16 (refers to the period from April 1 to March 31) with full repayment of long-term loans from the sale proceeds of land/building.

The rating strengths are however tempered due to significant decline in scale of operations and subdued profitability in the past three years and losses reported during Q1 FY17, albeit seeking comfort from an improvement in the value of order-book post Q1 FY17, thereby exhibiting medium term revenue visibility. Besides, CFL's elongated working capital cycle with its sales concentrated to the steel industry players (presently 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 cyclicality 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 and manufacturing 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 and subsequently the company was taken over (75% stake in the equity share capital) by CMI SA group, 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 has a global footprint across Asia, Africa, Middle East, Europe and North America.

CFL registered a total income of Rs.25.43 crore and a loss of Rs.6.58 crore for the period ended Q1FY17 as compared to a total income of Rs.206.58 crore and a PAT of Rs.13.12 crore in FY16 (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**

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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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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