DECEMBER 31, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF CMI FPE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long/ Short Term Bank Facilities (Fund Based/Non-Fund Based Bank Facilities)	200	**CARE BBB+; Negative/ CARE A2+ [Triple B Plus; Outlook: Negative/ 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 H1FY17, albeit seeking comfort from completion of a few orders and addition of new orders in the order-book post H1FY17, 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) 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.

Outlook: Negative

The negative outlook assigned reflects that CFL's business risk profile is expected to remain under pressure over the medium term because of weak domestic demand, subdued profitability and delays in completion of projects of customers in the sluggish end-user-steel industry scenario, along with delays in realisation of some long outstanding receivables. The ratings may be downgraded if there is further deterioration in scale of operations, profitability margins and outstanding receivables. Conversely, the outlook may be revised to 'Stable' in case of significant and continuous improvement in CFL's scale of operations, profitability and recovery of long outstanding receivables.

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

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

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.64.70 crore and a net loss of Rs.8.16 crore for the period ended H1FY17 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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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