January 21, 2016

CARE PLACES RATINGS ASSIGNED TO BANK FACILITIES OF CMI LIMITED ON CREDIT WATCH

Rating

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	35 (enhanced from Rs.25 crore)	CARE BBB- (under credit watch) [Triple B Minus (credit watch)]	Placed on credit watch
Short term Bank Facilities	65 (enhanced from Rs.40 crore)	CARE A3 (under credit watch) [A Three (credit watch)]	
Total Facilities	**100 (Rupees One Hundred crore only)**		

Rating Rationale

The ratings for the bank facilities of CMI Limited (CMI) have been placed under 'credit watch', following CMI's announcement of acquisition of General Cable Energy India Private Limited (a subsidiary of General Cable Corporation, USA) which is having manufacturing facilities for cables situated at Baddi, Himachal Pradesh. CARE is in the process of evaluating the details of this acquisition and its impact on the credit quality of the company and would take a view on the rating once the implications of the said development on the overall credit profile of CMI are clear.

The ratings continue to derive strength from experienced promoters and management team with long track record of operations of CMI and its diversified product portfolio with reputed client base. Furthermore, the ratings take into consideration improvement in the financial risk profile of the company marked by growth in scale of operations, improved profitability margins, comfortable debt coverage indicators and infusion of equity during H1 FY16 (refers to the period April 01 to September 30) resulting in improvement in overall gearing.

However, the ratings are constrained by company's moderate scale of operations and working capital intensive nature of operations and its exposure to customer concentration risk. The ratings are further constrained by susceptibility of margins to volatility in raw material prices, presence of the company in a highly competitive industry and project execution risk.

Going forward, the ability of the company to increase its scale of operations while improving profitability margins, to effectively manage its working capital cycle and complete the ongoing project within time and without any cost overrun would be the key rating sensitivities.

Background

CMI was incorporated in 1967 under the name of Choudhari Metal Industries Private Limited. The name of the company was changed to CMI Private Limited w.e.f. November 07, 1985. The Jain family took over the management of the company in 2007 with Mr Amit Jain as Chairman and Managing Director.

The company is engaged in the manufacturing of cables which find applications across industries, viz, power, steel, cement, real-estate, and railways amongst others. The product range of the company includes Signaling, Instrumentation, Control, Power, Telecommunication cables, etc. The company has a manufacturing facility located in Faridabad, Haryana, with installed capacity of 18,000 km as on March 31, 2015.

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

During FY15 (refers to the period April 01 to March 31), CMI reported total operating income Rs.137.28 crore and PAT of Rs.6.30 crore as compared with total operating income of Rs.106.33 crore and PAT of Rs.1.85 crore during FY14. Furthermore, during H1 FY16, CMI reported a total operating income of Rs.102.82 crore and PAT of Rs.6.86 crore.

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****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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