OCTOBER 03, 2016

CARE REVISES/ REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF CMI LIMITED AND REMOVES THE RATINGS FROM 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Long term Bank Facilities	55 (enhanced from 35)	CARE BBB (Triple B)	Revised from CARE BBB- (Triple B Minus) and Removed from Credit Watch
Short term Bank Facilities	95 (enhanced from 65)	CARE A3 (A Three)	Reaffirmed and Removed from Credit Watch
Total Facilities	**150 (Rupees One Hundred Fifty crore only**		

While arriving at the ratings of CMI Limited (CMI), CARE has taken a consolidated view of CMI and its subsidiary CMI Energy India Private Limited (CMIE; formerly known as General Cable Energy India Private Limited) on account of companies operating in the same line of business and having strong operational and financial synergies with common ownership and management. These entities are together referred to as CMI group.

Rating Rationale

The revision in the long-term rating assigned to the bank facilities of CMI Limited (CMI) takes into consideration the improvement in the financial risk profile of CMI in FY16 (refers to the period April 01 to March 31) marked by growth in scale of operations, increase in profitability margins and improvement in capital structure and debt coverage indicators. The ratings further factor in experienced promoters and management team of CMI, long track record of operations of CMI, successful acquisition and commencement of operations of CMI Energy India Private Limited (CMIE; formerly known as General Cable Energy India Private Limited) and diversified product portfolio with reputed client base of the group.

The ratings, which were earlier placed on credit watch following CMI's announcement of acquisition of General Cable Energy India Private Limited, a subsidiary of General Cable Corporation, USA, have been removed from credit watch following acquisition of General Cable Energy India Private Limited by CMI in February, 2016.

The ratings are, however, constrained by initial stage of operations of CMIE, working capital intensive nature of operations of CMI and its exposure to customer concentration risk. The ratings are further constrained by susceptibility of group's margins to volatility in raw material prices and presence of the company in a highly competitive industry.

Going forward, ability of CMI to increase its scale of operations while maintaining its profitability margins and to effectively manage its working capital cycle would remain the key rating sensitivities. Furthermore, CMI's ability to derive envisaged benefits from acquisition of CMIE would also remain a key rating sensitivity.

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. railways, utilities, oil and gas refineries, petrochemical industries 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 about 25,000 kms of cables as on March 31, 2016.

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

On a consolidated basis, CMI group reported a total operating income of Rs.252.63 crore and PAT of Rs.105.98 crore during FY16 as against total operating income of Rs.137.28 crore and PAT of Rs.6.30 crore during FY15.

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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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