

Crimson Metal Engineering Company Limited

May 23, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	10.70	CARE B; ISSUER NOT COOPERATING* (Single B; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	3.50	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	14.20 (Rupees Fourteen crore and Twenty lakh only)		

Details of instruments/facilities in Annexure-1

CARE has been seeking information from Crimson Metal Engineering Company Limited (CMECL) to monitor the ratings vide e-mail communications/letters dated February 6, 2017, February 13, 2017, February 21, 2017, April 7, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which; however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on CMECL's bank facilities will now be denoted as **CARE B; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on March 1, 2016, the following were the rating strengths and weaknesses (updated for the information available from registrar of companies):

Key Rating Weaknesses

Small scale of operations with low profitability margins and cash accruals: The company has small scale of operations with total income of Rs.45.92 crore in FY16 (refers to the period April 1 to March 31) compared with Rs.44.45 crore in FY15. The PBILDT margin of the company declined from 9.56% in FY15 to 9.07% in FY16. The PAT margins declined from 1.94% in FY15 to 0.98% in FY16.

High gearing and weak debt coverage indicators: The company has high gearing at 7.65x as on March 31, 2016, as against 8.97x in FY15 due to high debt levels and low networth base.

The interest coverage ratio was at 1.69x in FY16 compared with 1.60x in FY15 and total debt to GCA was at 19.66x in FY16 compared with 10.73x in FY15.

Decline in PBILDT margin albeit increase in the total income: The PBILDT margins of the firm declined by 598 bps from 15.54% in FY15 to 9.56% in FY16 due to increase in number of orders undertaken with low profit margins and increase in raw material cost. However, the total operating income of the firm increased by 42.88% from Rs.67.33 crore in FY15 to Rs.96.20 crore in FY16.

Elongated operating cycle: The operating cycle of the firm increased from 124 days in FY15 to 135 days in FY16 due to high collection period and reduced creditors' period. The average collection period was at 110 days in FY16 compared with 130 days in FY15 and the creditors' period reduced from 56 days in FY15 to 26 days in FY16.

Key Rating Strengths

Experienced promoter and management: CMECL was promoted by Mr Vinay Kumar Goyal, a graduate, having over two decades of experience in the steel industry. He looks after the overall day-to-day affairs of the company with assistance from a board of directors who have experience of more than a decade in the industry.

Analytical approach: Standalone

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

*Issuer did not cooperate; Based on best available information

Applicable Criteria[Policy in respect of Non-cooperation by issuer](#)[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[CARE's Methodology for Short-term Instruments](#)[Financial ratios \(Non-Financial Sector\)](#)[CARE's Rating Methodology- Manufacturing Companies](#)**About the Company**

CMECL, formerly known as Sri Saarbati Steel Tubes Limited, was incorporated as a public limited company in February 1985 by Mr Vinay Kumar Goyal in Chennai. CMECL is engaged in manufacture of Electrical Resistance Welded (ERW) pipes and tubes like Black & GI pipes, GP coils, square & rectangular pipes, etc. Mr Vinay Kumar Goyal, is a graduate, having over two decades of experience in steel industry. He looks after the overall day-to-day affairs of the company with assistance from a board of Directors who have experience of more than a decade in the industry.

CMECL is a manufacturer of both Galvanized and Black Pipes from ½" to 10" sizes as per BIS standards with a pipe manufacturing capacity of 55,000 metric tonnes per annum (MTPA), skelp production capacity of 36,000 MTPA, rolling mill with capacity of 24,000 metric ton per annum (MTPA) and galvanising plant of 18,000 MTPA. The major raw materials required by CMECL are billets, coil, sockets & zinc which are procured locally from suppliers depending on the orders to be executed. Key clients of CMECL are Deccan Marketing, Ganges International, George & Company, Pipe Corporation, SB Enterprises, Shri Lakshmi Steels, etc. The company started incurring huge losses (resulting in erosion of its net worth) since FY01 due to the heavy input & interest costs, worldwide economic recession, the depression in the steel industry, liberalization of government policy pursuant to the GATT/WTO, etc. Consequently, the company was referred to BIFR in September 2001. However, through restructuring the capital base of the company & infusion of fresh capital by the promoters & Mr A. J. Menon (independent director of the company) the company came out of the purview of BIFR in October 2011.

The company does job work for an associate company by name Ganges International Private Limited (GIPL). It is run by the Goyal family, although there are no common directors. GIPL was incorporated in 1991 for trading in steel products. In 2004, GIPL started manufacturing and supplying towers for telecommunications, windmills, power transmission and distribution, and railway electrification. It also provides equipment for solar projects. At its plant in Pondicherry, GIPL has production capacity of 50,000 tonnes per annum (tpa) and galvanizing capacity of 54,000 tpa.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	October 2019	0.70	CARE B; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	3.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B; ISSUER NOT COOPERATING*	-	-	1)CARE B (01-Mar-16)	1)CARE B (27-Feb-15)
2.	Fund-based - LT-Term Loan	LT	0.70	CARE B; ISSUER NOT COOPERATING*	-	-	1)CARE B (01-Mar-16)	1)CARE B (27-Feb-15)
3.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4 (01-Mar-16)	1)CARE A4 (27-Feb-15)

*Issuer did not cooperate; Based on best available information

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