

Crimson Metal Engineering Company Limited

September 10, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings 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 Facilities	14.20 (Fourteen crore and Twenty Lakh only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Crimson Metal Engineering Company Limited to monitor the rating vide e-mail communications/ letters dated May 10, 2018, May 16, 2018 and May 16, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Crimson Metal Engineering Company Limited's bank facilities will now be denoted as **CARE B; Issuer not Cooperating/CARE A4; Issuer not cooperating; 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 rating.

Detailed description of the key rating drivers

The ratings assigned to the bank facilities of Crimson Metal Engineering Company Limited (CMECL) continue to remain strained by small scale of operations with low profitability margins and cash accruals, high gearing and weak debt coverage indicators and elongated operating cycle. The ratings also take into consideration fluctuations in total operating income. The ratings however continue to derive strength from experienced promoter and management

Key Rating Weakness

Small scale of operations with low profitability margins and cash accruals

The scale of operations stood small at Rs.33.38 crore in FY18. The profitability margins stood low. PBILDT margin improved from 9.12% in FY16 to 9.68% and 11.81% in FY17 and FY18 respectively. The PAT margin also improved in line with the PBILDT margin from 1.05% in FY16 to 1.18% and 1.76% in FY17 and FY18 respectively.

High gearing and weak debt coverage indicators

The overall gearing stood leveraged, however improved from 4.49x as of March 31, 2016 to 3.77x as of March 31, 2017 and 3.67x as of March 31, 2018. Total debt/GCA stood weak however improved from 11.35x in FY16 to 10.50x in FY17. The ratio deteriorated to 11.85x in FY18. Interest coverage ratio declined marginally from 1.70x in FY16 to 1.63x in FY17. However it improved from 1.76x in FY18.

Elongated operating cycle

Operating cycle stood elongated, however improved from 125 days in FY16 to 68 days and 59 in FY17 and FY18 respectively.

Fluctuating total operating income

The operating income increased from Rs.45.95 crore in FY16 to Rs.46.10 crore in FY17. However the income declined to Rs.33.38 crore in FY18.

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.

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

Analytical Approach: Standalone**Applicable Criteria**
[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology – Manufacturing Companies](#)
[Criteria for Short Term Instruments](#)
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.

In FY18, CMECL reported a net profit of Rs. 0.59 crore on a total operating income (TOI) of Rs.33.38 crore, as against net profit and TOI of Rs.0.55 crore and Rs.46.10 crore respectively, in FY17.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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 corporate 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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

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* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	July 2019	0.70	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	3.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)	-	1)CARE B (01-Mar-16)
2.	Fund-based - LT-Term Loan	LT	0.70	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)	-	1)CARE B (01-Mar-16)
3.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (23-May-17)	-	1)CARE A4 (01-Mar-16)

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