

Crimson Metal Engineering Company Limited
November 24, 2020

Rating

Facilities	Amount (Rs. crore)	Ratings¹	Rating Action
Long Term Bank Facilities	10.70	CARE B-; ISSUER NOT COOPERATING* (Single B Minus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; (Single B)
Short Term Bank Facilities	3.50	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	14.20 (Rs. Fourteen Crore and Twenty Lakhs Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 26, 2019, placed the rating(s) of Crimson Metal Engineering Company Limited (CMECL) under the 'Issuer non-cooperating' category as CMECL had failed to provide information for monitoring of the rating. CMECL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 6, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by CMECL with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk. The rating assigned to bank facilities of Crimson Metal Engineering Company Limited continues to be constrained by small scale of operations with decline in total operating income, leveraged gearing and weak debt coverage indicators and elongated operating cycle. The rating also factors improved PBILDT margin albeit declined and thin PAT margin. The rating however derives strength from experienced promoter and management.

Detailed description of the key rating drivers**Key Rating Weakness*****Small scale of operations with decline in total operating income***

The scale of operations continued to be small marked by the total operating income which has declined by 28% and stood at Rs. 7.26 Crore in FY20 as against Rs. 10.08 Crore in FY19.

Leveraged gearing and weak debt coverage indicators

The overall gearing of the company improved but continued leveraged at 2.51x as of March 31, 2020 as against 2.65x as of March 31, 2019 owing to decrease in debt levels coupled with increase in networth backed by accretion of profits.

TD/GCA of the company although improved marginally but remained weak at 11.07x in FY20 as against 11.15x in FY19 and the interest coverage also improved and stood at 1.61x in FY20 as compared to 1.55x in FY19 on account of decrease in interest and finance charges in line with decrease in debt levels.

Elongated operating cycle

The operating cycle though improved continues to be elongated at 166 days in FY20 as against 246 days in FY19 due to stretched inventory days of 170 days. The collection and creditor period stood at 76 days and 80 days respectively in FY20.

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

* Issuer did not cooperate; based on best available information

Improved PBILDT margin albeit decline and thin PAT margin

The company's PBILDT margin has improved and stood at 44.55% in FY20 as against 35.62% in FY19. However, the PAT margin of the company declined to 1.10% in FY20 from 1.19% in FY19 respectively.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology -Manufacturing Sector](#)

[CARE's Methodology 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.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	10.08	7.26
PBILDT	3.59	3.23
PAT	0.12	0.08
Overall gearing (times)	2.65	2.51
Interest coverage (times)	1.55	1.61

A: Audited

Status of non-cooperation with previous CRA: NIL

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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	-	-	July 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

**updated loan closure details remains unavailable.

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B; ISSUER NOT COOPERATING* (26-Aug-19)	1)CARE B; ISSUER NOT COOPERATING* (10-Sep-18)	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)
2.	Fund-based - LT-Term Loan	LT	0.70	CARE B-; ISSUER NOT COOPERATING*	-	1)CARE B; ISSUER NOT COOPERATING* (26-Aug-19)	1)CARE B; ISSUER NOT COOPERATING* (10-Sep-18)	1)CARE B; ISSUER NOT COOPERATING* (23-May-17)
3.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (26-Aug-19)	1)CARE A4; ISSUER NOT COOPERATING* (10-Sep-18)	1)CARE A4; ISSUER NOT COOPERATING* (23-May-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Letter of credit	Simple

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.

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