CMI LIMITED
AN ISO 9001, ISO 14001
& ISO 45001 COMPANY
CIN No. L74899DL 1967 PLC018031

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CMI/CS/2020-21/ **September 26, 2020**

BSE Corporate Compliance & Listing Centre
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
MUMBAI-400001

Listing Department
National Stock Exchange of India
'Exchange Plaza', Bandra Kurla Complex,
MUMBAI-400051

BSE Scrip Code: 517330/ NSE Scrip Code: CMICABLES

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, as amended, we wish to inform that CARE has downgraded the rating from **CARE BBB; Stable (Triple B; Outlook Stable)** to **CARE D (Single D)** for the Long Term Bank Facilities and **CARE A3 (A Three)** to **CARE D (Single D)** for the Short Term Bank facilities availed by the Company vide their letter dated 25th September, 2020.

Pursuant to Continuous Disclosure Requirements for Listed Entities - Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please refer enclosed rating rationale for the reasons provided by the rating agency for such downward revision.

You are requested to take the above information on record.

Thanking you,
Yours faithfully,

For **CMI LIMITED**

CMI LIMITED DELHI

Subodh. Kumar

(SUBODH KUMAR BARNWAL)
COMPANY SECRETARY

CMI Limited

September 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term / Short Term Bank Facilities	235.00	**CARE D/CARE D (Single D/Single D)**	**Revised from CARE BBB; Stable/CARE A3 (Triple B; Outlook: Stable / A Three)**
Long Term Bank Facilities (Fund Based Limits)	220.00	**CARE D (Single D)**	**Revised from CARE BBB; Stable (Triple B; Outlook: Stable)**
Long Term Bank Facilities (Term Loan)	86.99	**CARE D (Single D)**	**Revised from CARE BBB; Stable (Triple B; Outlook: Stable)**
Total	**541.99 (Rupees five hundred forty one crore and ninety-nine lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of CMI Limited (CMI) factors in irregularities in the working capital facilities attributable to weak liquidity position of the company. The ratings also takes into account weak operational performance during FY20 (refers to the period: April 01 to March 31) which accentuated during Q1FY21 (refers to the period from April 1 to June 30) due to the pandemic and resultantly led to weakening of debt coverage metrics.

Rating Sensitivities

Positive

- Improvement in the liquidity position
- Improvement in the operational performance of the company

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations: Due to disruption in the operations owing to the outbreak of Covid-19 pandemic which led to limited capacity utilization, sales and lower collections weakened the liquidity profile of the company. In line with RBI's directive for Covid relief, the lender sanctioned the fund-based limits to tide over the temporary cash flow mismatches and also extending the LC usance period from 180 days to 270 days/inter-changeability of non-fund based limit to fund based limit up to June 30, 2020. However, delay in application for extension of such relief beyond June 2020 led to several LCs being devolved for a period beyond 30 days from the due dates.

Weak operational performance during FY20 and Q1FY21: CMI's operating performance was adversely impacted with 21.31% decline in total operating income to Rs. 511.24 crore in FY20 (PY: Rs. 649.66) and steep decline in profitability. The decline was mainly due to combined impact of delays in modalities of conversion of orders from CMI Energy to CMI Limited (in Q3FY20 – refers to October 01 to December 31) as a result of their merger and outbreak of Covid-19 (in Q4FY20 – refers to January 01 to March 31) which led to lower order execution during the last quarter which generally accounts for nearly 30% of the total annual operating income. The PBILDT margin moderated marginally to 11.99% in FY20 (PY: 13.11%), on account of increase in administration and freight cost along with lower operating income. The PAT margin of the company declined significantly to 0.72% in FY20 from 6.92% in FY19, as result of lower operating profit, higher deferred tax and increase in interest cost as a result of debt funded capex done in FY20. Further, in Q1FY21, the company reported significant decline in the total operating income to Rs. 22.83 crore (Q1FY20: Rs. 152.04 crore), the decline is mainly due to disruption in operations due to outbreak of Covid-19. The company reported net loss of Rs. 13.46 crore during Q1FY21 (Q1FY20: PAT of Rs. 6.74 crore).

Moderation in the debt coverage parameters: The debt coverage indicators of the company moderated in FY20 as reflected by deterioration in the total debt to gross cash accruals from 6.53x in FY19 to 15.54x in FY20, the

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

deterioration is mainly on account of lower PAT as a result of lower total operating income in FY20. Also, interest coverage ratio deteriorated from 2.52x in FY19 to 1.53x in FY20 owing to increase in the interest cost coupled with decline in the PBILDT. The capital structure of CMI, remains moderate with debt-equity ratio of 0.24x as on March 31, 2020 (March 31, 2019: 0.19x) and overall gearing of 1.09x as on March 31, 2020 as against 1.08x as on March 31, 2019.

Working capital intensive operations: CMI is a 100% B2B company with significant revenue from PSUs. The agreed payment terms in government contracts are between 90-120 days which actually stretches up to 200 days. Resultantly, average collection period of the company stood high at 182 days during FY20 (PY: 141 days). Moreover, as these entities buy the final stock only post inspection, the CMI's inventory holding period in FY20 stood at 146 days (PY: 95 days), the increase in inventory holding period is mainly because the company was unable to dispatch several order in the month of March, 2020 as pre-inspection was stopped by the clients due to Covid-19.

Susceptibility of margins to volatility in raw material prices: CMI's business is raw material intensive with raw material costs forming majority of its total operating cost. Primary raw materials for CMI are copper and aluminium forming more than 60% of total raw material costs, prices of which are highly volatile. However, contracts typically incorporate a price variation clause (PVC) where a company passes on any volatility in the underlying commodity without impacting its margins. The purchase prices are benchmarked to international indices such as London Metal Exchange (LME). During bidding for the government contracts, CMI incorporates the ruling rate of commodities in the bidding price.

Competition in the cable industry
The Indian cable industry is highly competitive and fragmented with a large number of cable producers in both organized and unorganized sector, leading to the pressure on prices. However, CMI being in existence for over three decades in the cable industry has proven product quality standards for supply of niche cable products and CMI has an advantage with key approvals from the Indian Railways, SEBs, BHEL, NTPC, oil refinery companies etc as pre-qualification criteria for most government projects is stringent. This creates a huge entry barrier as a new player will take anywhere between 1 and 4 years to qualify.

Liquidity: Poor
The temporary closure of business operations due to lockdown has squeezed CMI's liquidity. The company has been granted moratorium by its working capital and term loan lenders towards payment of interest and instalments in line with RBI's Covid-19 relief scheme. Besides, the company has also been granted ad-hoc limits of Rs. 7.50 crore from its bankers. The counter party risk is low for the company as majority of its customers are PSUs, however, delays in payments from the customers led to cash flow mismatches. After considering the moratorium the company has repayment of Rs. 7.70 crore scheduled for FY21. The company has regular capex of ~Rs. 10.00 crore scheduled for FY21. The company had a negligible free cash and bank balance which stood at Rs. 0.57 crore as on March 31, 2020.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Manufacturing Companies
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology- Liquidity Analysis of Non-Financial Sector Entities

About the Company
CMI Ltd. was incorporated in 1967 under the name of Choudhari Metal Industries Private Limited. CMI Limited was taken over by the present promoter Mr. Amit Jain in 2007. CMI is a B2B multi-specialty cable manufacturer and is engaged in the manufacturing of cables for various industries in segments such as railways, utilities, oil and gas, petrochemical, energy, industrial, power amongst others. The product range of CMI includes signaling, instrumentation, control, power, telecommunication cables etc. CMI has two manufacturing facilities one located in Faridabad, Haryana and the other at Baddi, Himachal Pradesh with installed capacity of 47,000 km and 1,93,140 km respectively as on March 31, 2020. On February 29, 2016, CMI has acquired 100% shareholding of CMI Energy India Private Limited (CMIE; formerly known as General Cable Energy Private Limited) from a Fortune 500 company- General Cable Corporation, USA. The operations commenced from April, 2016 at Baddi manufacturing facility.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	649.66	511.24
PBILDT	85.16	61.29
PAT	44.94	3.70
Overall gearing (times)	1.08	1.09
Interest coverage (times)	2.52	1.53

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

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

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	-	-	-	220.00	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	235.00	CARE D/CARE D
Term Loan-Long Term	-	-	February, 2025	86.99	CARE D

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	220.00	CARE D	1)CARE BBB; Stable (30-Jul-20)	1)CARE BBB+; Stable (26-Feb-20) 2)CARE BBB+; Stable (07-Oct-19)	1)CARE BBB+; Stable (04-Oct-18)	1)CARE BBB+; Stable (26-Sep-17)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	235.00	CARE D/CARE D	1)CARE BBB; Stable / CARE A3 (30-Jul-20)	1)CARE BBB+; Stable / CARE A3+ (26-Feb-20) 2)CARE BBB+; Stable / CARE A3+ (07-Oct-19)	1)CARE BBB+; Stable / CARE A3+ (04-Oct-18)	1)CARE BBB+; Stable / CARE A3+ (26-Sep-17)
3.	Term Loan-Long Term	LT	86.99	CARE D	1)CARE BBB; Stable (30-Jul-20)	1)CARE BBB+; Stable (26-Feb-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Nil

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.	Non-fund-based - LT/ ST-BG/LC	Simple
3.	Term Loan-Long Term	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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