

May 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>7.00</b>	<b>SMERA B/Stable (Assigned)</b>

SMERA has assigned ratings of '**SMERA B**' (**read as SMERA single B**) to the Rs.7.00 crore bank facilities of CGM Alloys Steels Private Limited (CGM). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations in an intensely competitive segment of the steel industry. The ratings are also constrained by the company's low profit margins and weak financial risk profile. However, the ratings are supported by the company's experienced management.

CGM, established in 2006, is a Ludhiana-based company engaged in manufacturing of bright bars. The company has small-scale operations marked by operating income of Rs.25.97 crore in FY2013-14 (refers to financial year, April 01 to March 31). CGM operates in an intensely competitive segment of the steel industry. CGM's net profit margin is low at 0.17 per cent in FY2013-14. The company's weak financial risk profile is reflected in high leverage (debt-equity ratio) of 3.45 times as on March 31, 2014 and low interest coverage ratio of 1.11 times in FY2013-14.

CGM benefits from its experienced management. The directors of the company have around one decade of experience in the steel industry.

### **Outlook: Stable**

SMERA believes CGM will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability and financial risk profile.

### **About the company**

CGM, established in 2006, is a Ludhiana-based company promoted by Mr. O. P. Agarwal and Mr. Kapil Jain. CGM is engaged in manufacturing of steel bright bars.

For FY2013-14, CGM reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.25.97 crore, as compared with PAT of Rs.0.03 crore on operating income of Rs.25.20 crore in FY2012-13. The company's net worth stood at Rs.2.56 crore as on March 31, 2014, as compared with Rs.2.51 crore a year earlier.



SMERA RATINGS LIMITED

# CGM Alloys Steels Private Limited (CGM)

*Rating  
Rationale*

## Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Parimal Thakker Manager – Operations Tel: +91-11-41806663 Email: <a href="mailto:parimal.thakker@smera.in">parimal.thakker@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

*SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*