

**May 26, 2015**

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

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.

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