

Core Minerals: Reaffirmed

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.70 (revised from Rs. 20.50 crore)	SMERA C (Reaffirmed)

SMERA has reaffirmed rating of '**SMERA C**' (read as **SMERA C**) to the Rs.20.70 crore bank facility of Core Minerals (CM).

The rating continues to remain constrained by the firm's weak financial risk profile and stretched liquidity position. The rating also factors in the vulnerability of profitability to volatility in raw material prices amidst intense competition in the mining industry. However, the rating continues to draw comfort from the experienced management.

CM, a Chennai-based firm established in 2004 by Mr. P. B. Anandam and family is engaged in the mining and trading of iron ore. The firm has a weak financial risk profile marked by interest coverage ratio of 0.26 times, debt service coverage ratio of 0.58 times and return on capital employed (RoCE) of 2.83 per cent for FY2014-15 (refers to financial year, April 01 to March 31). Further, the firm has reported operating loss of Rs. 3.70 crore and net loss of Rs.14.46 crore for FY2014-15 (refers to financial year, April 01 to March 31).

The firm's liquidity position is stretched evident from the cash credit limit utilisation of ~100 per cent for the last six months ended June, 2016 and gross current asset (GCA) of 1,541 days for FY2014-15. The rating is also constrained by the susceptibility of profit margins to volatility in iron ore prices amidst intense competition in the mining business. However, the firm benefits from the extensive industry experience of its promoter, Mr. P. B. Anandam.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Improvement in the financial risk profile
- Effective working capital management

Criteria applied to arrive at the rating

- Manufacturing Entities
- Trading Entities

About the Firm

CM, a Chennai-based firm established in 2004 by Mr. P. B. Anandam and family is engaged in the mining and trading of iron ore. The firm is part of the Archean group, that has varied interests in granites, industrial salt and other chemicals.

For FY2014-15, CM registered net loss of Rs.14.46 crore on operating income of Rs.67.28 crore, as compared with net loss of Rs.30.88 crore on operating of Rs.56.02 crore in FY2013-14.

Rating History

Date	Facility	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
31 August, 2016	Cash Credit	20.50	SMERA C (Assigned)	-	-

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ABOUT SMERA

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