Super Iron Foundry Private Limited

April 01, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	21.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	17.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	**38.00 (Rs. Thirty-Eight Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 07, 2019, placed the rating(s) of Super Iron Foundry Private Limited (SIFPL) under the 'issuer non-cooperating' category as SIFPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. SIFPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated February 26, 2021; March 03, 2021 & March 08, 2021 and phone calls. 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(s).

The ratings have been revised on account of non-availability of adequate information thereby leading to uncertainty around its credit risk.

Detailed description of the key rating drivers

At the time of last rating on April 02, 2020 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Small scale of operations

SIF group is a relatively small player in the manufacturing of cast iron and ductile iron. The small size deprives it from the benefits of economies of scale and restricts the financial flexibility of the group in times of stress.

Profitability susceptible to volatility in raw material prices

The major raw-material required for the manufacturing of ductile casting is pig iron, steel scrap, ferro silico manganese and foundry returns the prices of which are highly volatile in nature due to commodity nature of product.

Risk of capital withdrawal due to partnership nature of legal entity in case of SIF

SIF's legal status as a partnership firm exposes it to the risk of withdrawal of capital by the partners. The partners have withdrawn capital of Rs.0.16 lakh in FY17.

Working capital intensive nature of business:

SIF's operation is working capital intensive in nature as it has a policy to maintain high level of inventory for smooth manufacturing operation and need to provide high credit period to its customers in view of intense competition in the industry.

Cyclicality associated with the steel industry

The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along-with the inordinate delays in the completion impact the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to demand supply mismatch. Furthermore, the producers of steel & related products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility of the steel industry.

Key Rating Strengths

Experienced Promoters

The SIF group is looked after by Mr. Abhishek Saklecha (aged 37 years) and his younger brother Mr. Akhilesh Saklecha (aged 34 years). Both the brothers have around 15 years of business experience and looks after the day to day operation along with the support from a team of experienced professional.

Stable profitability parameters during FY15 to FY17 & H1FY18, despite volatile turnover

The operating income of the group increased from Rs.71.17 crore in FY15 to Rs.83.32 crore in FY16 followed by substantial decline to Rs.62.06 crore in FY17 mainly due slowdown of its business in Saudi Arabia from where SIF group was driving around 47% of total revenue during FY16. PBILDT margin slightly deteriorated from 9.18% in FY15 to 8.35% in FY16 mainly due to higher overhead expenses. However, PBILDT margin improved to 10.59% in FY17 mainly due to saving in operational cost involved in sales to Saudi Arabia. Interest coverage ratio improved to 3.19x in FY16 as against 2.65x in FY15. But, moderated to 2.60x in FY17. However; it continued to remain satisfactory. The firm reported GCA of Rs.3.69 crore as against term debt repayment of Rs.1.32 crore in FY17.Operating cycle deteriorated significantly from 159 days in FY15 to 250 days in FY17 mainly due to increase in debtor collection period (from 127 days in FY15 to 192 days in FY17). Current ratio also deteriorated from 1.05x in FY15 to 0.94x in FY17. In 7MFY18, SIF group have reported combined PBT of Rs.2.40 on combined total operating income of Rs.39.57 crore.

On a standalone level, the TOI of SIFPL has marginally deteriorated in FY20 vis-à-vis FY19. However, the PBILDT margin has improved and the PAT margin remained stable.

Comfortable financial risk profile

The capital structure of the firm remained comfortable as on Mar 2017. Overall gearing improved from 2.47x in FY15 to 0.84x in FY17 mainly due to considering unsecured loan of Rs.29.36 infused by the promoters and associate companies as quasi equity coupled with accretion of profit and gradual repayment of term debt. The Total debt/ GCA was satisfactory at 9.84x in FY17 as against 10.58x in FY15.

On a standalone level, SIFPL reported marginal deterioration in debt equity and overall gearing ratio on account of increase in long term debt. Further, the interest coverage ratio has improved from 1.94x in FY19 to 2.05x in FY20 and TD/GCA continued to remain at similar level.

Imposition of anti-dumping on import on competitive country

SIF has been positively impacted by imposition of anti-dumping duty on Chinese foundry products by Europe. This apart, China has also launched a “Clean Environment Policy” due to which majority of the foundries are being shut by the government on account of pollution norms. Such changes in regulatory framework and global demand and supply position have helped SIF to cater to demand of customers which was earlier met from China.

Analytical approach: Combined

For arriving at the ratings, CARE has considered the combined financials of SIF and SIFPL as both the entities are engaged in similar line of business and have common promoters.

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook & Credit watch to Credit Ratings
CARE's Policy of Default Recognition
Liquidity Analysis of Non-financial sector entities
Financial ratios – Non-Financial Sector
Rating Methodology -Manufacturing Companies
Criteria for Short Term Instruments
Rating Methodology- Consolidation

About the Company

Super Iron Foundry Private Limited (SIFPL), was incorporated in July 15, 1988 to manufacture ductile iron casting for municipal, water work and automobile segment. However, it commenced operation from April 2013. With the manufacturing facility of 10,080 MTPA capacities, located in West Bengal, SIFPL have been able to export 100% of its product to countries in Europe and Middle east.

Super Iron Foundry (SIF) was incorporated as a partnership firm in 1977 by Saklecha family of Kolkata to manufacture cast iron with an installed capacity of 8,000 MTPA. The firm is engaged in manufacturing of cast iron products including Manhole frame & covers, Valve boxes, Water meter boxes & their adapter rings, surface boxes, catch basin and their grates etc. SIF, for over a period of 40 years, caters to the municipal, water works, automobile and other industries. It is a Star Export House recognized by the Govt. of India and is a 100% EOU.

Brief Financials (Rs. crore)- Combined	FY16 (A)	FY17 (A)
Total operating income	83.32	62.06
PBILDT	6.96	6.58
PAT	0.58	0.46

Overall gearing (times)	2.49	0.84
Interest coverage (times)	3.19	2.60

A: Audited

Status of non-cooperation with previous CRA: CRISIL and Brickwork Ratings have classified the ratings of SIFPL under 'Issuer Not Cooperating" category vide PR dated April 21, 2020 & April 20, 2020 respectively.

Any other information: Not Applicable

Rating History for 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-Packing Credit in Foreign Currency	-	-	-	17.74	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	November 2017	3.26	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	17.00	CARE A4; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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-Packing Credit in Foreign Currency	LT	17.74	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (07-Jan-19)	1)CARE BB+; Stable (13-Dec-17)
2.	Fund-based - LT-Term Loan	LT	3.26	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (07-Jan-19)	1)CARE BB+; Stable (13-Dec-17)
3.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	17.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE A4+; ISSUER NOT COOPERATING* (07-Jan-19)	1)CARE A4+ (13-Dec-17)

**Issuer did not cooperate; Based on best available information*

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Packing Credit in Foreign Currency	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com
Analyst Contact
Group Head Name- Anil More
Group Head Contact no.- 033-4018 1623
Group Head Email ID- anil.more@careratings.com
Relationship Contact
Name- Lalit Sikaria
Contact no.- 033- 4018 1607
Email ID- lalit.sikaria@careratings.com

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.