

Cosmo Ferrites Limited

June 28,2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	53.41	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	6.86	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Cosmo Ferrites Limited (CFL) continues to take comfort from the stated management support from Cosmo First Limited (Cosmo First) through service agreement, whose scope of services include business strategy, marketing and brand management, corporate finance and investor relations among others. The ratings continue to derive strength from the experienced and resourceful promoters with long track record of operations and wide range of applications of finished goods leading to customer diversification. The ratings take cognisance of the moderation in operational and financial performance during FY24 (refers to the period from April 01, 2023, to March 31, 2024) characterised by decline in profitability margins on account of various reasons including dumping of low-priced materials from the neighbouring country, subdued export sales due to inventory corrections, shortage of chips, geopolitical turmoil, and recession in Europe. The ratings continue to remain constrained by weak financial risk profile marked by high overall gearing, susceptibility of margins to raw material price volatility and foreign currency fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above Rs. 200 crores while maintaining the PBILDT margin above 15% on a sustained basis
- Improvement in capital structure with overall gearing below 1.00x on a sustained basis
- Improvement in liquidity marked by improvement in operating cycle and lower utilization of working capital limits

Negative factors

- Decline in scale of operations below Rs. 100 crore and PBILDT margins below 10% on a sustained basis.
- Any higher than envisaged increase in debt levels resulting in further worsening of overall gearing and debt coverage indicators.
- Discontinuation in stated management support from Cosmo First Ltd thereby leading to overall deterioration in operational and financial risk profile.

Analytical approach: Standalone while factoring linkages with the Cosmo group in terms of stated management support through service agreement and common management.

Outlook: Stable

Stable outlook indicates continuation of support from group entity Cosmo First Ltd- in the near to medium term with gradual improvement in scale of operations and profitability.

Detailed description of the key rating drivers:

Key strengths

Established brand name of the Cosmo group and stated management support from Cosmo First Ltd

Cosmo Ferrites Limited (CFL) belongs to the Cosmo group, which was established in 1981 by Mr. Ashok Jaipuria with the incorporation of Cosmo First Limited. Cosmo First is a global leader which specializes in films for packaging, lamination and labelling applications. Its films offerings include biaxially oriented polypropylene (BOPP) films, cast polypropylene (CPP) films. CFL has a service agreement with Cosmo First Ltd for the latter to provide management support to the former since last 3 fiscals. The

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

scope of services includes business strategy, marketing and brand management, corporate finance, investor relations etc. The continued support from the group entity and timely financial support from promoters shall remain key rating sensitivity.

Experienced and resourceful promoters and long track record of operations

Established in 1986, CFL was promoted by the Jaipuria Family. CFL is managed by Mr. Amrish Jaipuria (son of Mr. Ashok Jaipuria) having an experience of more than 15 years. Mr. Amrish Jaipuria is ably supported by a team of well-qualified and experienced professionals and management support from Cosmo First. The company belongs to the Cosmo group, which was established in 1981 by Mr. Ashok Jaipuria with the setting up of Cosmo First Limited. The promoters are resourceful with established track record of funds infusion in the form of unsecured loans which stood at Rs. 22.00 crore as on March 31, 2024.

Wide range of application of finished goods leading to customer diversification

CFL is engaged in the business of manufacturing soft ferrites in different shapes and sizes as per required specifications. Ferrites are extensively used in Mobile Phone Charger, Automotive, BLDC Fan, AC/ Refrigerator, memory cores of computers, etc. Ferrite has a vast application from microwave to radio frequencies. It is used for antenna cores in radio receivers, fly back transformer in TV picture tube, broad band transformer, mechanical filter, ultrasonic generator, moderators, phase shift, isolators. Such wide application allows CFL to cater to a broad customer base and the top-10 customers constituted 25% of total operating income in FY24 (PY: 29%).

Key weaknesses**Subdued operational performance**

The total operating income of the company moderated by ~9% to Rs.98.26 crore in FY24 (PY: Rs.107.84 crore) driven by ~15% decline in realization price of soft ferrites owing to various reasons including dumping of low-priced materials from the neighbouring country, subdued lower export sales due to inventory corrections, shortage of chips, geopolitical turmoil, and recession in Europe. The same resulted in moderation in profitability margins with company reporting PBILDT margin of 7.82% (PY: 10.46%) and net loss of Rs.2.01 crore (PY: PAT margin of 2.24%) in FY24. Going forward, owing to improvement in global market conditions and addition of new customers, CARE expects the PBILDT margin to improve and remain in the range of ~10%-13%.

Leveraged capital structure

The capital structure of the company continued to be levered marked by overall gearing of 2.32x as on March 31, 2024 (PY: 2.36x). Further, the debt coverage indicators of the company continued to remain weak as reflected by PBILDT interest coverage and total debt/GCA of 1.02x (PY: 2.05x) and 31.97x (PY: 12.19x) in FY24 respectively.

Foreign exchange fluctuation risk

The business operations of CFL involve both imports and exports resulting in sales realization and cash outflow in foreign currency. CFL exports its product in overseas market such as USA, Turkey, Italy, Brazil, Germany, Hong Kong etc. and export contribution to total sales stood around 34% for FY24 (PY: 35%). Further, its import procurement to raw material cost stood at around 47% for FY24 (PY: 65%), thereby exposing CFL to volatility in foreign exchange rates. However, being importer and exporter both, the foreign currency risk is partially mitigated through a natural hedge. During FY24, the company earned Rs. 0.50 crores from exchange rate difference. Further, in the absence of any hedging policies adopted by the company, CFL is exposed to fluctuations in the value of rupee against foreign currency which may impact its cash accruals.

Raw material price volatility risk

Ferric oxide, manganese, zinc, nickel etc. are the major raw materials required for the production. Since the basic raw materials are metal derivatives, CFL is exposed to the risk of volatility in the prices of the same. Thus, margins are vulnerable to fluctuation in raw material cost. Though, the company tries to pass on the price volatility to the end users, any adverse fluctuations in the prices may put pressure on the profitability of the company. Thus, the profitability of the company is based on the ability of the company to absorb the increase in raw material prices.

Liquidity: Adequate

The liquidity position of the company remained adequate as reflected by gross cash accruals of ~Rs 12.28 crore in FY25 against repayment obligations of Rs 6.96 crore. Further, average of maximum utilization of working capital borrowings stood moderate at ~79% for trailing 12 months ended April 30, 2024. The company had free cash and bank balance of Rs.4.00 crore as on June 20, 2024. CFL is not planning to incur any major capex in the near to medium term.

Assumptions/Covenants: NA

Environment, social, and governance risks: NA

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Established in 1986, Cosmo Ferrites Limited (CFL) is promoted by Mr. Ashok Jaipuria, having an experience of over 3 decades. Mr. Jaipuria has also promoted Cosmo First Limited which specializes in films for packaging, lamination and labelling applications. The operations of CFL are being managed by Mr. Ambrish Jaipuria (son of Mr. Ashok Jaipuria). CFL is engaged in the business of manufacturing and export of soft ferrites of different shapes and specifications. The manufacturing facility of CFL is located in Solan, Himachal Pradesh and has an installed capacity of 3600 MT as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Abr.)
Total operating income	107.84	98.26
PBILDT	11.28	7.69
PAT	2.42	-1.98
Overall gearing (times)	2.36	2.32
Interest coverage (times)	2.05	1.02

A: Audited; Abr. :Abridged :Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	23.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31/08/2027	30.41	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	0.36	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	30.41	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jul-23)	1)CARE BBB-; Stable (21-Jun-22)	1)CARE BB-; Stable (31-Aug-21)
2	Fund-based - LT-Cash Credit	LT	23.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Jul-23)	1)CARE BBB-; Stable (21-Jun-22)	1)CARE BB-; Stable (31-Aug-21)
3	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A3	-	1)CARE A3 (06-Jul-23)	1)CARE A3 (21-Jun-22)	1)CARE A4 (31-Aug-21)
4	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A3	-	1)CARE A3 (06-Jul-23)	1)CARE A3 (21-Jun-22)	1)CARE A4 (31-Aug-21)
5	Non-fund-based - ST-Forward Contract	ST	0.36	CARE A3	-	1)CARE A3	1)CARE A3	1)CARE A4

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						(06-Jul-23)	(21-Jun-22)	(31-Aug-21)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Forward Contract	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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