

## Sudisa foundry Private limited (Revised)

January 31, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.90	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB-; Stable

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sudisa Foundry Private Limited (SFPL) to monitor the rating vide e-mail communications dated January 13, 2025, and January 22, 2025, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SFPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SFPL's bank facilities will now be denoted as **CARE BB+; Stable ISSUER NOT COOPERATING\***

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as noncooperative for more than 6 months, then the Credit rating agency (CRA) shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

The rating has been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the company which is critical for assessing the credit profile of the company. The rating is, constrained by modest scale of operations, volatility in raw material prices and cyclical nature of automobile industry. The rating continues to draw strength from the experienced promoters, locational advantage of manufacturing unit, long standing relationship with reputed clientele albeit customer concentration risk, healthy financial performance during FY24 (refers to the period April 01 to March 31), satisfactory capital structure and debt protection and comfortable working capital cycle.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on August 06, 2024, the following were the strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key weaknesses

##### Modest scale of operations

The scale of operations of the company continues to remain modest marked by total operating income of ₹352.02 crore in FY24 despite growth of around 14.43% in the total operating income considering the size of the auto and auto ancillary industry. The tangible net worth of the company stood at ₹115.77 crore. The modest scale restricts the financial flexibility of the company at a time of stress.

##### Volatility in raw material prices

The raw material cost (flat steel, scrap, etc.) is the major cost driver in the auto ancillary industry. As the raw material prices are volatile in nature, the profitability margin of the company will remain susceptible to fluctuation in raw material prices. However, in case of changes in price of raw materials, the OEMS allows revision in prices on a quarterly basis. Besides, the company purchases majority of its raw materials from a scrap trader, Sudisa Enterprises Private Limited, a group entity, mitigating the price fluctuation risk and availability risk to an extent.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

\*Issuer did not cooperate; based on best available information.

**Cyclical nature of automobile industry**

As SFPL primarily caters to the commercial vehicle segment, the demand for its product is largely linked to the growth prospect of the overall economy, which is a driver of CV sales. The upcycle in MHCV segment have started in October 2020 and the quantum sales in MHCV segment is expected to increase steadily. However, the automobile industry is not fragmented and top 3 players in any segment control 80% of segment volumes while the ancillary segment is fragmented to some extent, but tier 1 suppliers may be protected to some extent due to scale, technology barriers. The sector has high entry barriers owing due to high capital and technological requirements.

**Key strengths****Experienced promoters**

SFPL is currently managed by Mr. Sumit Kumar Agarwal, Director, along with three other directors and a team of experienced professionals. The company has established long term relationships with the customers and suppliers. The directors are having more than a decade of experience in similar line of business. Furthermore, the company has started its operation from 1975 as a proprietorship firm, thus the entity enjoys a long track record of operation.

**Locational advantage of manufacturing unit**

The manufacturing facility of SFPL is located in industrial area, Adityapur, Jamshedpur which provides the advantage in terms of lower logistic costs and saving of time as the plants of Tata Motors Limited (TML) (rated CARE AA; Stable/CARE A1+) is also located in the same city. Also, the company procures majority of its raw material from one of its group company, Sudisa Enterprises Private Limited, based out of Jamshedpur.

**Long standing relationship with reputed clientele albeit concentration risk**

The company manufactures casting products for automobile industries like TML, Ashok Leyland Limited, Automotive Axles Limited, Ramkrishna Forgings Ltd., etc. The company receives order from these companies and manufactures the products according to their needs and requirements. This apart, as the principals are market leader in the respective segments and SFPL is largely dependent on the flow of orders, results in limited bargaining power.

The company is in association with TML from the last one decade and gets regular orders from them. Currently, more than 70% of the sales are made to TML and the balance is distributed amongst other OEMs. However, going forward, the company plans to reduce their selling dependency on TML by further addition of new customers.

**Improvement in financial performance in FY24**

The company generated operating profit of ₹59.64 crore on an operating income of ₹352.02 crore in FY24 as against operating profit of ₹43.67 crore on an operating income of ₹307.62 crore in FY23. The growth of around 14.43% in the total operating income was on account of increase in sales volume. The PBILDT margin of the company improved from 14.20% in FY23 to 16.94% in FY24. The PAT margin also improved inline with the operating margin to 10.38% in FY24 as compared to 7.89% in FY23.

**Satisfactory capital structure and debt protection metrics**

The capital structure of the company remains comfortable marked by improvement in overall gearing ratio to 0.13x as on March 31, 2024, from 0.43x as on March 31, 2023, on account of decline in utilisation of working capital limits and repayment of debts and along with accretion of profits to net worth. The debt coverage indicator marked by Total debt/ GCA improved to 0.88x as on March 31, 2024, as compared with 1.04x as on March 31, 2023 due to decrease in overall debts coupled with increase in cash accruals. The PBILDT interest coverage ratio, improved to 11.42x in FY24 as against 9.23x in FY23 on account of increase in absolute PBILDT levels.

**Comfortable working capital cycle**

The company's working capital cycle continues to remain comfortable and stood at 40 days in FY24 vis -à-vis 29 days in FY23. The average collection days improved to 26 days in FY24 from 28 days in FY23 and the inventory days moderated and stood at 36 days in FY24 as against 24 days in FY23 which were partially offset by decrease in creditors period to 21 days in FY24 from 23 days in FY23.

**Applicable criteria**

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

SFPL was established in the year 1975 as a proprietorship firm, Foundryco (FDC) in Jamshedpur. During 2004, the current management took over the entire operation and during December 2006, the firm was converted into private limited company, SFPL. The company is into manufacturing of various types of automobile parts and iron and steel structures (around 150 goods) like Brake Drum, Front Hub, Spider, MTTG bkt, ABS Hub, Shackle, Bracket Assy, etc. for reputed brands like TML, Automotive Axles Limited, Ramkrishna Forgings Limited, Ashok Leyland Limited, etc. The company initially started off with one manufacturing unit having an installed capacity of 12,000 MTPA. During December 2017, the company expanded its operations by installing another integrated manufacturing unit at Adityapur Industrial Area in Jamshedpur with an installed capacity of 36000 MTPA. On March 31, 2022, SFPL has further acquired a manufacturing unit leading to increase in installed capacity by 12,000 MTPA, FY23 onwards. The Company is a registered vendor of TML and also a member of Automotive Component Manufacturers of India. The company procures its raw materials (flat steel, scrap, alloys etc.) from domestic suppliers and sells in the domestic markets. Mr. Sumit Kumar Agarwal, the director of the company, looks after the day-to-day affairs of the company along with other directors and a team of experienced professional.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	307.62	352.02
PBILDT	43.67	59.64
PAT	24.26	36.54
Overall gearing (times)	0.43	0.34
Interest coverage (times)	9.23	11.42

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL Ratings has continued the ratings assigned to the bank facilities of SFPL into 'Issuer not-cooperating' category vide press release dated May 28, 2024, on account of non-availability of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	February 2027	8.90	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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	8.90	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable; ISSUER NOT COOPERATING * (06-Aug-24)	1)CARE BBB+; Stable (07-Jul-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB-; Stable (22-Jun-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

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

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

### Contact us

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#### About us:

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