

## Simplex Engineering & Foundry Works Private Limited

May 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Positive and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	39.00	CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

Simplex Engineering & Foundry Works Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. Moreover, the client has not shared the NDS for the month of February 2025 and March 2025. The rating on Simplex Engineering & Foundry Works Private Limited bank facilities will now be denoted as **CARE BB+ /CARE A4+; 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(s).**

The ratings have 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 risk profile of the company.

The rating ratings assigned to bank facilities of Simplex Engineering and Foundry Works Private Limited (SEFWPL) factors in improvement in scale of operations despite moderation in operating margins in FY24. Ratings continue to derive strength from the company's long track record with considerable experience of promoters, satisfactory order book position with reputed customer base, comfortable capital structure, diversified product portfolio, locational advantage and significant support extended by promoters as unsecured loans and pledge of liquid investments to raise debt for meeting high working capital requirement. Ratings continue to remain constrained from working capital intensive operations despite improvement in FY24, volatility input costs with majority of orders being fixed price in nature and intense competition with tender based operations.

**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 rating strengths and weaknesses (updated for the information available from MCA.

### Key strengths

#### Improving scale of operations despite moderating operating margins in FY24

The company's total operating income (TOI) increased by 33% in FY24 to ₹252 crore from ₹189.30 crore in FY23 driven by steady order book position and faster execution of order. However, SEFWPL's operation is highly capital intensive, which is reflected through fixed assets turnover ratio of 1.29x in FY24 (PY:0.90x). The company's operating margin witnessed moderation in FY24 due to change in order book mix. Unlike earlier, the company is getting orders of shorter tenure but with lower margins. This has resulted in moderate profitability but timely realisation and lower inventory holding. In FY24, the TOI of the company stood at Rs. 251.85 crore.

#### Satisfactory order book position amidst diversification in FY24

The company has an unexecuted order book of ₹234 crore as on July 20, 2024 (₹249.05 crore as on January 1, 2024), which is 0.92x of its gross sales in FY24. The company's order book witnessed diversification in FY24 marked by order from railway constitutes ~28% (PY: 21%), steel ~31% (PY: 49%), oil and gas ~32% (PY: 16%), mining ~7% (PY: 6%) and others ~2% (PY: 7%). Post-receipt of approval from American Petroleum Institute (API) for sucker rod pump used in oil and gas industry, the company started receiving regular orders from ONGC. This has led to increase in orders from this business segment helping the

<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.

company to diversify its business. The company is in discussion with ONGC, Durgapur Steel plant, and Indian Railway for another round of sucker pumps order. Receipt of such orders shall remain a key rating monitorable.

#### **Diversified product portfolio catering to varied industries and reputed clientele**

SEFWPL is engaged in heavy fabricating and designing magnetic frames, grab buckets, parts of windmill and thermal plants, relaying machines, wagon, and bogeys, among others, used in core industries such as steel, power, railways, and mining. This allows SEFWPL to diversify industry concentration risk. SEFWPL's client base comprises around 90% large private players and public sector undertakings (PSUs) such as ONGC, Tata Steel, Orissa Metallurgical, Eastern Coalfields, BHEL, Indian Railways, SECL, and Chittaranjan Locomotives among others; the client base largely remained consistent over the years in addition to new customer acquisition.

#### **Experienced promoter with long and satisfactory track record of the company**

Vijay Shah, CMD is a third-generation entrepreneur, having around two decades of experience in heavy fabrication industry. Promoter's family has been engaged in manufacturing heavy engineering castings since 1941 and is well-known as an equipment builder, technology supplier, and turnkey contractor for large projects. The company's daily affairs are managed by the CMD with adequate support from experienced employees having long association with the company.

#### **Locational advantage from proximity to raw material sources, reducing freight costs**

Several power and steel plants are housed in Chhattisgarh as it is rich in minerals and coal. SEFWPL gets regular orders for equipment from these players, as they enjoy benefit on product and freight cost by virtue of its strategic location. Over 90% raw material used by SEFWPL comprises steel (low carbon, high tensile) procured largely from large integrated steel plants (SAIL and Jindal Steel and Power Limited) in the vicinity. Being situated in suppliers' vicinity, it results in relatively lower cost procurement in terms of freight cost.

#### **Continuous infusion of unsecured loan by promoters**

SEFWPL's promoters demonstrated support and infused unsecured loan at regular intervals to fund its incremental working capital requirement and routine capex. Promoters have also supported through overdraft (OD) facility availed against units of fixed maturity plan (FMP) from directors and relatives to fund working capital requirement in absence of regular working capital limits from banks. Majority debts in books is from promoters, either directly or backed by pledged FMPs. Total debt of ₹116 crore outstanding (o/s) as on March 31, 2024, primarily comprised unsecured loan from promoters of ₹101 crore (₹97 crore as on March 31, 2023) and OD backed by FMP of ₹1.57 crore. This has been utilised to extend inter-corporate deposits (ICDs) to unrelated parties at an interest rate of 12-15% per annum and partly to fund inventory.

#### **Comfortable capital structure**

The company's overall gearing remains satisfactory at 0.78x as on March 31, 2024, against 0.93x as on March 31, 2023. Majority debt (comprising 88% of o/s debt) consists of unsecured loan from directors/relatives and OD against FMP (Fixed Maturity Plan) units of directors/related parties. Total debt levels remained stable at ~110 crore in FY24.

#### **Key weaknesses**

##### **Working capital intensive operations despite improvement in FY24**

The company's working capital cycle consistently improved in the last three fiscals from 324 days in FY22 to 299 days in FY23 and 242 days in FY24 due to focus on orders with shorter execution period (especially in steel segment) where inventory holding period is lower (from 6-7 months currently as compared to 12-14 months earlier). Majority inventory and receivable is funded through promoter funds. Further, due to orders received from oil and gas segment with 6-9-month duration, inventory holding period is expected to improve further going ahead. In FY24, operating cycle of the company stood at 262 days.

##### **Volatility in prices of raw materials and finished goods**

SEFWPL operates on moderate margins and raw material is one of the major cost drivers. Hence, profitability is sensitive to adverse price movement of finished goods and/or raw materials, especially considering delay in material picked up by the client. The company has majority of fixed price contracts in its present order book, limiting its ability to pass on price increase to its customers through a price escalation clause.

##### **Intense competition in the industry with tender based operations**

SEFWPL's orders are tender-based, and revenues depend on the company's ability to bid successfully for these tenders. Margins come under pressure due to competition.

#### **Applicable criteria**

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

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

SEFWPL was constituted in 1941 as a partnership firm, by (Late) Bhanji Monji Shah (grandfather of CMD Vijay Shah). The firm was converted into private limited company in 1980. SEFWPL is engaged in structural fabrication and manufacturing equipment for core sectors such as steel, railway, power, (thermal, hydel, wind), mining, cement, material handling, oil, defence, roads, and construction. The company operates through its units in Bhilai, Chhattisgarh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	189.30	251.85
PBILDT	19.27	21.99
PAT	11.21	11.56
Overall gearing (times)	0.93	0.78
Interest coverage (times)	2.27	2.21

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

**Status of non-cooperation with previous CRA:** Not Applicable.

**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-Cash Credit	-	-	-	-	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	-	39.00	CARE A4+; 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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	16.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Positive (06-Aug-24)	1)CARE BBB-; Positive (07-Feb-24) 2)CARE BBB-; Positive (03-Apr-23)	1)CARE BBB-; Stable (05-Apr-22)
2	Non-fund-based - ST-BG/LC	ST	39.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Aug-24)	1)CARE A3 (07-Feb-24) 2)CARE A3 (03-Apr-23)	1)CARE A3 (05-Apr-22)

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

LT: Long term; ST: 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-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	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.

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