

## Cosmo Ferrites Limited

July 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	47.46 (Reduced from 53.41)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	7.00 (Enhanced from 6.86)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Cosmo Ferrites Limited (CFL) factors in 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. Ratings also factor in imposition of anti-dumping duty imposed on soft ferrites (company's main product) in March 2025, which is expected to improve the operational performance of the company in FY26 (refers to April 01, 2025 to March 31, 2026). 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. Ratings take cognisance of the moderation in operational and financial performance in FY25 (refers to April 01, 2024, to March 31, 2025) characterised by decline in profitability margins considering reasons including dumping of low-priced materials from the neighbouring country. 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 ₹200 crore while maintaining the profit before interest, lease rentals, depreciation and taxation (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 utilisation of working capital limits.

#### Negative factors

- Decline in scale of operations below ₹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, 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 key rating drivers:

#### Key strengths

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

CFL belongs to the Cosmo group, which was established in 1981 by Ashok Jaipuria with the incorporation of Cosmo First Limited. Cosmo First is a global leader, which specialises 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 three fiscals. The scope of services includes

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

business strategy, marketing and brand management, corporate finance, investor relations among others. The continued support from the group entity and timely financial support from promoters shall remain key rating sensitivity.

### **Wide range of application of finished goods leading to customer diversification**

CFL is engaged in manufacturing soft ferrites in different shapes and sizes per required specifications. Ferrites are extensively used in Mobile Phone Charger, Automotive, BLDC Fan, AC/ Refrigerator, memory cores of computers, among others. 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 29% of total operating income (TOI) in FY25 (PY: 25%).

### **Experienced and resourceful promoters and long track record of operations**

Established in 1986, CFL was promoted by the Jaipuria Family. CFL is managed by Amrish Jaipuria (son of Ashok Jaipuria) having an experience of over 15 years. 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 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 ₹22.00 crore as on March 31, 2025.

### **Imposition of anti-dumping duty on soft ferrite cores**

The Ministry of Finance, Department of Revenue, issued on March 18, 2025, imposing an anti-dumping duty on imported Soft Ferrite Cores (upto 35%) from China. The duty applies to Manganese-Zinc-based Soft Ferrite Cores within specific geometries and lengths. The same is expected to improve the demand and realisation of soft ferrite cores in the domestic market and benefit CFL.

### **Key weaknesses**

#### **Subdued operational performance**

The company witnessed a drop in sales realisation, both in domestic and export markets compared to FY24, leading to moderation in TOI by ~10% to ₹85.98 crore in FY25 (PY: ₹98.26 crore) due to dumping of low-priced materials from the neighbouring country. The company witnessed subdued lower export sales generally having higher margins (particularly from Europe region 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 2.96% (PY: 7.82%) and net loss of ₹5.66 crore (PY: net loss of ₹1.98 crore) in FY25. However, the scale of operations and profitability margin are expected to improve in the near future due to imposition of anti-dumping duty up to 35% on import of soft ferrites from China.

#### **Leveraged capital structure and weak debt coverage metrics**

The entity's capital structure stood levered with overall gearing of 3.02x as on March 31, 2025 (2.32x as on March 31, 2024). Debt coverage indicators stood weak, as marked by weak interest coverage of 0.46x in FY25 (1.02x in FY24). The company serviced its interest and finance obligation through free cash and bank balance available with the company.

#### **Foreign exchange fluctuation risk**

CFL's business operations involve both imports and exports resulting in sales realisation and cash outflow in foreign currency. CFL exports its product in overseas market such as US, Turkey, Italy, Brazil, Germany, and Hong Kong among others, and export contribution to total sales stood ~30% for FY25 (PY: 37%). Its import procurement to raw material cost stood at ~50% for FY25, continuing 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. In FY25, the company earned ₹0.31 crore from exchange rate difference. Further, in the absence of 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, and nickel among others, are the major raw materials required for the production. Since the basic raw materials are metal derivatives, CFL is exposed to the raw material price volatility risk. Thus, margins are vulnerable to fluctuation in raw material cost. Though the company tries to pass on the price volatility to the end users, adverse fluctuations in the prices may put pressure on the company's profitability. Thus, the company's profitability is based on its ability to absorb the increase in raw material prices.

#### **Liquidity: Adequate**

The liquidity position of the company remained adequate with a cash and bank balance of ₹8.47 crore with free FD balance of ₹8.00 crore as on March 31, 2025. The company has expected GCA of ~₹9.21 crore in FY26 against repayment obligations of ₹7.41 crore. CFL also has continued management support agreement from Cosmo First and in case of exigency the promoters shall infuse funds in the form of unsecured loans. Average utilisation of working capital limits stood high at ~91% for trailing 12 months ended April 30, 2025. The company is not planning to incur major capex in the near-to-medium term.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[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	Electrical equipment	Other electrical equipment

Established in 1986, CFL is promoted by Ashok Jaipuria, having an experience of over three decades. Jaipuria has also promoted Cosmo First Limited, which specialises in films for packaging, lamination, and labelling applications. CFL's operations are being managed by Ambrish Jaipuria (son of Ashok Jaipuria). CFL is engaged in manufacturing and exporting soft ferrites of different shapes and specifications. The manufacturing facility of CFL is in Solan, Himachal Pradesh, and has an installed capacity of 3600 MT as on March 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	98.26	85.98
PBILDT	7.69	2.54
PAT	-1.98	-5.65
Overall gearing (times)	2.32	3.02
Interest coverage (times)	1.02	0.46

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	26.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31/08/2027	21.46	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	0.50	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A3

**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-Term Loan	LT	21.46	CARE BBB-; Stable	-	1)CARE BBB-; Stable (28-Jun-24)	1)CARE BBB-; Stable (06-Jul-23)	1)CARE BBB-; Stable (21-Jun-22)
2	Fund-based - LT-Cash Credit	LT	26.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (28-Jun-24)	1)CARE BBB-; Stable (06-Jul-23)	1)CARE BBB-; Stable (21-Jun-22)
3	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A3	-	1)CARE A3 (28-Jun-24)	1)CARE A3 (06-Jul-23)	1)CARE A3 (21-Jun-22)
4	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A3	-	1)CARE A3 (28-Jun-24)	1)CARE A3 (06-Jul-23)	1)CARE A3 (21-Jun-22)
5	Non-fund-based - ST-Forward Contract	ST	0.50	CARE A3	-	1)CARE A3 (28-Jun-24)	1)CARE A3 (06-Jul-23)	1)CARE A3 (21-Jun-22)

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-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 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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