Super Iron Foundry Private Limited
January 7, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	21.00	**CARE BB+;Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook:Stable ISSUER NOT COOPERATING*)**	**ISSUER NOT COOPERATING; Based on best available information**
Short Term Bank Facilities	17.00	**CARE A4+; ISSUER NOT COOPERATING* (A Four Plus)**	**ISSUER NOT COOPERATING; Based on best available information**
Total facilities	**38.00 (Rs. Thirty-Eight crore Only)**		

Details of facilities in Annexure-1

Detailed Rationale

CARE has been seeking information from Super Iron Foundry Private Limited(SIFPL) to monitor the ratings vide e-mail communications dated September 03, 2018, November 30, 2018, December 13, 2018, December 20, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, SIFPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

The ratings on Super Iron Foundry's bank facilities will now be denoted as **CARE BB+; Stable/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 ratings.

Detailed description of the key rating drivers

At the time of last rating on December 13, 2017 the following were rating strengths and weaknesses:

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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; based on best available information*

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.

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.

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.

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.

Analytical approach: Combined

For arriving at the ratings, CARE has considered the consolidated 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 to Credit Ratings
CARE’s Policy on Default Recognition
Criteria for Short-Term Instruments
Rating Methodology: Factoring Linkages in Ratings
CARE’s methodology for manufacturing companies
Financial ratios – Non-Financial Sector

About the group
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. SIF's products have wide acceptance
worldwide in more than 32 countries including the USA, Canada, the UK, Australia, Germany, Switzerland, France, Belgium, Finland, Poland, the Czech Republic, the UAE, Oman and Saudi Arabia. It is a Star Export House recognized by the Govt. of India and is a 100% EOU.
Super Iron Foundry Private Limited (SIFPL), another company of the group 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, located in West Bengal, SIFPL have been able to export 100% of its product to countries in Europe and Middle East.

Brief Financials (Rs. crore)	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: Not applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Analyst Contact:
Name: Mr. Abhishek Khemka
Tel: (033) 4018 1610
Mobile: +91 9831099290
Email: Abhishek.khemka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.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.

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 Foregin Currency	-	-	-	17.74	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	December 2022	3.26	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	17.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Packing Credit in Foregin Currency	LT	17.74	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; Stable (13-Dec-17)	-	-
2.	Fund-based - LT-Term Loan	LT	3.26	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; Stable (13-Dec-17)	-	-
3.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	17.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4+ (13-Dec-17)	-	-

Issuer did not cooperate; based on best available information

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000 / 01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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