

Super Iron Foundry Private Limited

December 13, 2017

Ratings			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	21.00	CARE BB+, Stable (Double B Plus, Outlook:Stable)	Assigned
Short-term Bank Facilities	17.00	CARE A4+ (A Four Plus)	Assigned
Total facilities	38.00 (Rs. Thirty eight crore only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Super Iron Foundry Private Limited (SIFPL) is constrained by the, small scale of operation, profitability susceptible to volatility in raw material prices, cyclicity associated with the steel industry, risk of capital withdrawal due to partnership nature of legal entity in case of SIF and working capital intensive nature of operation. The ratings, however, draws comfort from the experienced promoters, imposition of anti-dumping on import from competitive country, stable profitability margin despite volatile turnover, satisfactory capital structure due to subordination of unsecured loan and comfortable liquidity position marked by low utilization of working capital. Going forward, the ability of the firm to increase its scale of operation while maintaining profitability margin and efficient management of its working capital will continues to remain the key rating sensitivities.

Detailed description of the key rating drivers
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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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 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 Super Iron Foundry (SIF) and SIFPL as both the entities are engaged in similar line of business and have common promoters.

Applicable criteria

[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: Not applicable

Analyst Contact:

Name: Mr Anil More

Tel: #033-40181623

Mobile: # 8444867144

Email: anil.more@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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 Foreign Currency	-	-	-	17.74	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	Dec 2022	3.26	CARE BB+; Stable
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	17.00	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Packing Credit in Foreign Currency	LT	17.74	CARE BB+; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	3.26	CARE BB+; Stable	-	-	-	-
3.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	17.00	CARE A4+	-	-	-	-

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, Somaia 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

CIN - L67190MH1993PLC071691