

Super Iron Foundry
January 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	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	8.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus)	ISSUER NOT COOPERATING; Based on best available information
Total	20.00 (Rs. Twenty crore Only)		

Details of facilities in Annexure-1

Detailed Rationale

CARE has been seeking information from Super Iron Foundry (SIF) 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 firm 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, SIF 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 increase in debtor collection period (from 127 days in FY15 to 192 days in FY17). Current ratio also

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

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
PBILD	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

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****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	-	-	-	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-Post Shipment Credit	-	-	-	8.00	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 Foreign Currency	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; Stable (13-Dec-17)	-	-
2.	Fund-based - ST-Post Shipment Credit	ST	8.00	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*

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