



Press Release

Super Iron Foundry Private Limited

August 25, 2022

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	21.19 (reduced from 26.00)	IVR BBB-/ Negative (IVR Triple B Minus with Negative Outlook)	Reaffirmed with revision in outlook from Stable to Negative	Simple
Short Term Bank Facilities	88.10	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	109.29 (Rupees one hundred and nine crore and twenty nine lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Super Iron Foundry Private Limited (SIFPL) continues to drive comfort from its established track record of operations with extensive industry experience of its promoters, imposition of anti-dumping on import from competitive countries and moderate orderbook position indicating a near term revenue visibility. Further, the ratings also note the growth in its revenue with stable profitability in FY22 (provisional) and its moderate leverage indicators coupled with moderate debt protection matrices. However, these rating strengths continues to remain partially offset due to susceptibility of its profitability to volatility in raw material prices, strong competitive pressures from other established domestic players and working capital intensive nature of its business. The outlook of the company has been revised from stable to negative due to rise in total debt of the company coupled with its slow performance in Q1FY23 which may impact the overall financial performance of the company in the current fiscal year.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations with improvement in profitability leading to an improvement in liquidity on a sustained basis
- Improvement in the capital structure with improvement in the overall gearing to below 1x



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- Improvement in the operating cycle

Downward Factors

- Any deterioration in scale of operation or moderation in profitability affecting the debt protection metrics and/or liquidity on a sustained basis
- Further elongation of operating cycle
- Moderation in the capital structure with deterioration in overall gearing to more than 2x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Experienced promoters**

SIFPL is looked after by Mr. Abhishek Saklecha and his younger brother Mr. Akhilesh Saklecha. Both the brothers have more than 15 years of business experience and look after the day-to-day operation along with the support from a team of experienced professionals.

- **Imposition of anti-dumping on import on competitive country**

SIFPL gains from 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 SIFPL to tap new orders.

- **Growth in revenue with stable profitability parameters in FY22 (provisional)**

Driven by higher orders in hand and higher demand of its product in European countries, SIFPL has witnessed a y-o-y growth of ~26% in its operating income to Rs.132.16 crore in FY22 (Prov.) against Rs.104.37 crore in FY21. Despite higher raw material and overhead expense during FY22, the EBITDA margin has improved from 7.62% in FY21 to 8.48% in FY22 (Prov.). However, with increase in finance cost and reduction in non-operating income, the PAT margin has moderated marginally to 1.04% in FY22 (Prov.) from 1.08% in FY21.

- **Moderate leverage indicators coupled with moderate debt protection metrics**

The capital structure of the company had remained comfortable over the years. During FY22, total debt of SIFPL has increased due to fresh availing of term loans coupled with additional working capital funding to meet its working capital requirement. However, backed by comfortable adjusted tangible net worth base amounting to Rs.62.09 crore, both long



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term debt to equity and overall gearing ratio moderated yet remained comfortable at 0.61x and 1.88x respectively (0.50x and 1.27x respectively in FY21) as on March 31, 2022. Total indebtedness of the company marked by TOL/ATNW though moderated but remained comfortable at 2.24x as on March 31, 2022 (Prov.). Further, the debt protection parameters of the company remained comfortable over the years driven by its healthy operating profit level and comfortable gross cash accrual. The interest coverage ratio though remained satisfactory has marginally moderated to 2.26x in FY22. However, the Total debt to GCA remained stretched at 19.69 years as on March 31, 2022.

- **Moderate order book position indicating near term revenue visibility**

SIFPL has a moderate order book position of ~Rs.200.00 crore as on June 30, 2022 which is around 1.51 times of its FY22 (provisional) revenue. The orders are expected to be completed in next 12 to 18 months indicating a satisfactory near-term revenue visibility.

Key Rating Weaknesses:

- **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 which are highly volatile in nature. SIFPL operates on moderate margins and raw material is one of the major cost drivers. Hence, the profitability is sensitive to adverse movement in prices of finished goods and/or raw materials.

- **Strong competitive pressures from other established domestic players**

The industry is riddled with high competition due to presence of several domestic and international players. Intense competition from both domestic and international players is having a negative impact on the profitability of the company.

- **Working capital intensive nature of business**

SIFPL'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. The average fund based working capital utilisation also remained moderate at about ~80% during the past 12 months ended on May 2022.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

SIFPL had generated cash accrual of around Rs.5.91 crore in FY22 as against its debt repayment obligation of around Rs.6.53 crore. Further, SIFPL is expected to generate steady cash accrual in the range of ~Rs.9.63-15.77 crore over the near medium term against its repayment obligation in the range of ~Rs.6.80-7.11 crore during FY23-25. In addition, with its moderate capital structure the company has moderate gearing headroom and the average utilisation of fund based working capital limit of the company at ~80% in the past 12 months ended May 2022 indicates a sufficient liquidity buffer. However, the working capital-intensive nature of operations of the company restricts the liquidity profile to an extent.

About the Company

Super Iron Foundry Pvt. Ltd. (SIFPL) was incorporated on July 15, 1988. The company started commercial from 2013 to carry on the business of manufacturing and export of ductile iron casting for Municipal departments, Water Works, and Automobile Segment. With manufacturing facility of 15,000 MTPA, located in West Bengal, SIFPL have been able to 5 export 100% of its product to countries in Europe and Middle East Asia. SIFPL belongs to the Kolkata-based, SIF Group which has Super Iron Foundry (a Partnership Firm into export of Grey Iron castings) and two investment arms- ABI Trading Pvt Ltd (NBFC) and Fairplan Vincon Pvt Ltd (NBFC). Mr. Akhilesh Saklecha and Mr. Abhishek Saklecha are the Directors and key persons of SIFPL.

Financials of SIFPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Income	104.37	132.16
EBITDA	7.95	11.20
PAT	1.15	1.37
Total Debt	74.23	116.43
Tangible Net worth	49.80	51.54
Adjusted Tangible Net worth	58.35	62.09
EBITDA Margin (%)	7.62	8.48
PAT Margin (%)	1.08	1.04
Overall Gearing Ratio (x)	1.27	1.88

*Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: CARE Edge ratings vide its press release dated June 06,2022 maintained the rating in issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years: (Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	21.19	IVR BBB-; Negative	IVR BBB-; Stable (June 15, 2021)	-	IVR BBB-; Stable (March 16, 2020)
2.	Fund Based Facilities	Short Term	83.00	IVR A3	IVR A3 (June 15, 2021)	-	IVR A3 (March 16, 2020)
3.	Non-Fund Based Facilities	Short Term	5.10	IVR A3	IVR A3 (June 15, 2021)	-	IVR A3 (March 16, 2020)

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	September 2026	21.19	IVR BBB-; Negative
Short Term Fund Based Limits	-	-	-	83.00	IVR A3
Short Term Non-Fund Based Limits	-	-	-	5.10	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Super-Iron-aug22.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.