# Press Release

## Super Iron Foundry Limited

**November 12, 2024**

**Ratings**

| Security / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|---|---|---|---|
| Long Term Bank Facilities | 13.50 (reduced from 27.35) | IVR BBB-/Stable (IVR Triple B Minus with Stable outlook) | IVR BB+/Stable (IVR Double B Plus with Stable outlook) | Upgraded | Simple |
| Short Term Bank Facilities | 101.95 (enhanced from 88.10) | IVR A3 (IVR A Three) | IVR A4+ (IVR A Four Plus) | Upgraded | Simple |
| **Total** | **115.45 (Rupees One hundred fifteen crore and forty-five lakhs only)** | | | | |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

**Detailed Rationale**

The upgrade in the ratings assigned to the bank facilities of Super Iron Foundry Limited (SIFL) derived comfort from improvement in the business performance of the company in FY24 (FY refers to the period from April 1 to March 31) coupled with improvement in financial risk profile marked by improvement in capital structure and improvement in debt protection metrics. The ratings continue to draw comfort from its experienced promoters, imposition of anti-dumping on import from competitive countries and moderate orderbook position indicating a near term revenue visibility. 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, exposure to customer concentration risk and working capital intensive nature of its business.

The stable outlook reflects expected stable business performance of the company in the medium term backed by adequate orderbook position and stable demand of casting products.

**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
- Improvement in the operating cycle

**Downward Factors**

- Any deterioration in scale of operation or moderation in profitability affecting the debt protection metrics on a sustained basis
- Withdrawal of subordinated unsecured loan of Rs.11.23 crore and/or moderation in the capital structure with deterioration in overall gearing to more than 2x
- Further elongation in operating cycle leading to stress on liquidity

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

**Experienced promoters**

SIFL is looked after by Mr. Abhishek Saklecha and his younger brother Mr. Akhilesh Saklecha. Both the brothers have more than 20 years of business experience and looks after the day-to-day operation along with the support from a team of experienced professional.

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

SIFL 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 SIFL to tap new orders.

**Improvement in business performance in FY24**

SIFL has witnessed a y-o-y growth of ~24% in its operating income to Rs.154.83 crore in FY24 as against Rs.124.80 crore in FY23 backed by the revival in European economies leading to increase in demand for its manufactured products and consequent improvement in its volume sales and average sales realisation. Aided by growth in total operating income coupled with better capacity utilisation leading to higher absorption of fixed overheads, EBITDA margin has improved from 8.67% in FY23 to 10.15% in FY24. Moreover, on the back of increase in absolute EBITDA, PAT margin has also improved to 2.51% in FY24 from 1.02% in FY23. Furthermore, underpinned by growth in profitability, gross cash accruals has also improved from Rs.5.59 crore in FY23 to Rs.8.90 crore in FY24. Further, during 4MFY25 the company has achieved a revenue of Rs. 42.23 crore.

**Improvement in financial risk profile marked by improvement in capital structure coupled with improvement in debt protection metrics**

The capital structure of the company improved in FY24 marked by improvement in its leverage ratios driven by scheduled repayment of term loans coupled with accretion of profit to reserves. The adjusted tangible net worth base (ATNW) of the company stood at Rs. 56.84 crore after adjusting long pending debtors and considering its unsecured subordinated loan (Rs.11.23 crore as on March 31, 2024) as quasi equity. The leverage ratios marked by long term debt to equity and overall gearing of SIFL stands at 0.43x and 1.89x respectively as on March 31, 2024 as against 0.63x and 2.34x respectively on March 31, 2023. Moreover, total indebtedness of the company as reflected by TOL/ATNW also improved to 2.89x as on March 31, 2024 (3.08x as on March 31, 2023). Aided by improvement in profitability, the debt protection parameters of the company have also improved. The interest coverage ratio has improved to 2.00x in FY24 (FY23: 1.69x) on the back of increase in absolute EBITDA. Further, Total Debt / EBITDA and Total debt to GCA though continues to remain moderate also improved to 6.84x and 12.07 years respectively as on March 31, 2024, as against 10.47x and 20.26 years respectively as on March 31, 2023, aided by rise in higher gross cash accruals and dip in total debt.

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

SIFL has a moderate orderbook position of around Rs.203.03 crore as on September 27, 2024, which is around 1.31 times of its FY24 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. SIFL operates on moderate margins and raw material is one of the major cost drivers. Although, SIFL generally do not enter into long term supply agreements and the absence of such long-term supply agreements subjects to risks such as price volatility caused by various factors such as market fluctuations, production and transportation cost, changes in government policies, regulatory changes, etc.

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.

**Exposure to customer concentration risk**

A significant majority of the company's revenue derive from operations with a limited number of customers. Revenues may be affected majorly if there is any adverse development with such customers which may result in significant reduction in orders from such customers, and thereby declining cash flows and liquidity. The company relies majorly on purchase orders from an Italy based entity with a track record of more than 140 years.

**Working capital intensive nature of business marked by elongated operating cycle**

SIFL's operation is working capital intensive in nature as it has a policy to maintain high level of inventory to meet immediate requirements of European countries and USA customers during spring and summer so that they can reduce the delivery time by substituting the manufacturing time with available inventory for immediate shipment. The company also provides high credit period to its customers in view of intense competition in the industry. The average inventory period remained at 199 days in FY24 (as against 218 days in FY23) due to increased exports at the end of the year. With comparatively lower inventory days in FY24 coupled with almost same average collection period of 172 days in FY24 (FY23:174 days), the operating cycle of SIFL has improved from 322 days in FY23 to 266 days in FY24.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

**Liquidity – Adequate**

The liquidity of the company remains adequate due to sufficient gross cash accruals as against its debt repayment obligations. SIFL had generated cash accrual of around Rs.8.90 crore in

FY24 as against its debt repayment obligation of around Rs.7.55 crore. Further, SIFL is expected to generate cash accrual of Rs.12.40 crore to Rs.19.46 crore against its debt repayment obligation of Rs.4.01 crore to Rs.5.56 crore during FY25-FY27. However, its average utilisation of fund based working capital limit remains moderate at ~89% in the past 12 months ended August 2024 indicating a limited liquidity buffer.

**About the Company**

Super Iron Foundry Limited (SIFL) was incorporated on July 15, 1988. There was no commercial activity by the Company until 2008. 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. The company has been converted from a private limited company to a public limited company on September 11, 2024, and consequently, the name of the company has been changed from 'Super Iron Foundry Private Limited' to 'Super Iron Foundry Limited' (SIFL). SIFL has a production capacity of 72,000 MT per annum and recently it has automated and upgraded most of its production parameters, like sand plant, chemical and mechanical laboratory, automatic high pressure moulding lines, automatic metal pouring and many more. Mr. Akhilesh Saklecha and Mr. Abhishek Saklecha are the Directors and key persons of SIFPL. The company is planning to list itself in the stock exchanges in the near term.

**Financials (Standalone):**

**(Rs. crore)**

| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
|---|---|---|
| | Audited | Audited |
| Total Operating Income | 124.80 | 154.83 |
| EBITDA | 10.82 | 15.71 |
| PAT | 1.29 | 3.94 |
| Total Debt | 113.29 | 107.40 |
| Tangible Net Worth | 52.73 | 56.71 |
| Adjusted Tangible Net Worth | 48.36 | 56.84 |
| EBITDA Margin (%) | 8.67 | 10.15 |
| PAT Margin (%) | 1.02 | 2.51 |
| Overall Gearing Ratio (x) | 2.34 | 1.89 |
| Interest Coverage (x) | 1.69 | 2.00 |

** Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** The ratings of Super Iron Foundry Limited has been continued to be classified under Issuer Not Cooperating category by Brickwork ratings, Crisil Ratings and CARE Edge as per Press Release dated December 18, 2024, November 23, 2023, and September 02, 2024 respectively due to unavailability of information.

**Any other information: Nil**

**Rating History for last three years:**

| Sr. No. | Name of Security/ Facilities | Current Ratings (Year 2024-2025) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type (Long Term/Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | Nov 24, 2023 | August 25, 2022 | June 15, 2021 |
| 1. | FCTL/GECL | Long Term | 13.50 | IVR BBB-; Stable | IVR BB+; Stable | IVR BBB-; Negative | IVR BBB-; Stable |
| 2. | EPC/PCFC | Short Term | 83.00 | IVR A3 | IVR A3 | IVR A3 | IVR A3 |
| 4. | Bank Guarantee | Short Term | 18.95 | IVR A3 | IVR A3 | IVR A3 | IVR A3 |

**Analytical Contacts:**


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| Name: Nidhi Sukhani<br>Tel: (033) 46022266<br>Email: nsukhani@infomerics.com | Name: Avik Podder<br>Tel: (033) 46022266<br>Email: apodder@infomerics.com |


**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

# Press Release

For more information and definition of ratings please visit www.infomerics.com.

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**Annexure 1: Instrument/Facility Details**

| Name of Facility/ Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|---|
| FCTL/GECL | - | - | - | Mar 2028 | 13.50 | IVR BBB-; Stable |
| EPC/PCFC | - | - | - | - | 83.00 | IVR A3 |
| Bank Guarantee | - | - | - | - | 18.95 | IVR A3 |

**Annexure 2: Facility wise lender details (As per attached annexure)**
**https://www.infomerics.com/admin/prfiles/len-SIFL-nov24.pdf**

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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.