



Press Release

Super Iron Foundry Pvt Ltd (SIFPL)

November 24, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	27.35 (enhanced from 21.19)	IVR BB+; Stable (IVR Double B Plus with Stable Outlook)	Revised from IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Simple
Short Term Bank Facilities	88.10	IVR A4+ (IVR A four plus)	Revised from IVR A3 (IVR A Three)	Simple
Total	115.45 (Rupees one hundred and fifteen crore and forty five lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Super Iron Foundry Pvt Ltd (SIFPL) primarily considers continuous significant deviation between its projected performance with actual performance as per FY22(A) and FY23(A) results along with moderation in its debt protection metrics and stretch in its working capital cycle in FY23. However, the ratings continue to derive 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 its moderate leverage indicators. 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, moderation in debt protection metrics and working capital intensive nature of its business.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with improvement in profitability leading to an improvement in liquidity on a sustained basis



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- 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 and/or liquidity on a sustained basis
- Further elongation in 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.

- **Moderate leverage indicators**

The capital structure of the company remained moderate as on March 31, 2023, based on its moderate net worth base (ATNW) of Rs.63.08 crore considering its unsecured subordinated loan of Rs.10.35 crore as on March 31, 2023 as quasi equity. With scheduled repayment of term loans, coupled with accretion of profit to reserves, both long term debt to equity and overall gearing of SIFPL has improved from 0.65x and 1.99x respectively as on March 31, 2022 to 0.48x and 1.83x respectively as on March 31, 2023. Moreover, Total indebtedness of the company as reflected by TOL/ATNW remained moderate at 2.32x as on March 31, 2023 (2.38x as on March 31, 2022).

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



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SIFPL has a moderate orderbook position of around Rs.195.28 crore as on August 31, 2023 which is around 1.57 times of its FY23 revenue. The orders are expected to be completed in next 12 to 18 months. This gives a satisfactory near-term revenue visibility.

- **Stable business performance in FY23**

The business performance of the company remained stable in FY23. However, driven by lower execution of orders, SIFPL has witnessed a y-o-y decline of ~4.5% in its operating income to Rs.124.08 crore in FY23 against Rs.131.75 crore in FY22. The company is into 100% export majorly to Iran and due to Russia- Ukraine Crisis, export has been majorly affected resulting in lower capacity utilisation in turn lower turnover. However, due to decline in raw material prices and other overhead expense during FY23, EBITDA margin has improved from 8.09% in FY22 to 9.22% in FY23. In line with EBITDA margin, PAT margin also improved to 1.02% in FY23 from 0.88% in FY22. During H1FY24 the company has achieved a revenue of ~Rs.59.64 crore. Infomerics expects improvement in the business performance of the company in H2FY24 underpinned by improvement in overseas market conditions. The performance of the company in H2FY24 will remain a key rating monitorable.

B. 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.

- **Moderation in debt protection metrics**

The company has witnessed moderation in its debt protection metrics during FY23 marked by dip in its interest coverage ratio to 1.47x in FY23 (FY22: 2.15x) due to increase in finance charges attributable to increase in Euribor rate and LIBOR rate as the company is availing PCFC and FCTL at Euribor and LIBOR. Further, Total debt to GCA also moderated to 20.60 years as on March 31, 2023 as against 19.64 years as on March 31, 2022 owing to decline in gross cash accruals due to increase in finance charges. Moreover, debt service coverage ratios remained below unity in FY22 and in FY23. However, the promoters have infused funds in the form of unsecured loans to repay its debt obligation.

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



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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. Further, the working capital cycle of the company has elongated further in FY23 to 343 days from 247 days in FY22 mainly due to stretch in average collection period coupled with rise in average inventory holding period.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity of the company is expected to remain stretched due to its tightly matched gross cash accruals as against its debt repayment obligations. SIFPL had generated cash accrual of around Rs.5.59 crore in FY23 as against its debt repayment obligation of around Rs.6.80 crore. Moreover, the working capital cycle of the company remained elongated. Further, the average utilisation of fund based working capital limit remained high at ~98% in the past 12 months ended September 2023 indicates a limited liquidity buffer.

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



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Pvt Ltd (NBFC). Mr. Akhilesh Saklecha and Mr. Abhishek Saklecha are the Directors and key persons of SIFPL.

Financials - Standalone

(Rs. crore)

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	131.75	124.08
EBITDA	10.66	11.44
PAT	1.16	1.29
Total Debt	116.39	115.19
Tangible Net worth	51.33	52.73
Tangible Net worth (including quasi equity)	58.48	63.08
EBITDA Margin (%)	8.09	9.22
PAT Margin (%)	0.88	1.02
Overall Gearing Ratio (x)	1.99	1.83

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CARE Edge Ratings, CRISIL Ratings and Brickwork Rating has moved the rating of SIFPL to Issuer Not Cooperating category vide their press release dated July 10, 2023, September 20, 2022 and September 22, 2022 respectively due to non-submission of information for review of the ratings.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (June 15, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	FCTL/GECL	Long Term	27,35	IVR BB+; Stable	IVR BBB-; Negative Outlook	IVR BBB-; Stable Outlook	-
2.	EPC/PCFC	Short Term	83.00	IVR A4+	IVR A3	IVR A3	-
3.	Bank Guarantee	Short Term	5.10	IVR A4+	IVR A3	IVR A3	-



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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. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – FCTL/GECL	-	-	January 2028	27.35	IVR BB+; Stable
Short Term Bank Facility- EPC/PCFC	-	-	-	83.00	IVR A4+
Short Term Bank Facility – Bank Guarantee	-	-	-	5.10	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SuperIron-nov23.pdf>

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.