

Press Release

Fitcast Founders And Engineers Private Limited

September 05, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.35	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	2.65	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	19.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE Double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.19 Cr bank facilities of Fitcast Founders and Engineers Private Limited (FFEPL). The outlook is '**Stable**'.

Rationale for Rating Assigned:

The rating assigned takes into account the experienced management and established track record of operations of FFEPL. These strengths are partially offset by its below average financial risk profile, working capital intensive nature of operations and stretched liquidity position of FFEPL. Going forward significant improvement in the scale of operations without any deterioration in the profitability and capital structure or elongation in working capital cycle will be a key monitorable.

About the Company

Gujarat based Fitcast Founders & Engineers Private Limited was incorporated in 1999 by Mr. Bhalchandra Bhagwan Andhrukar and Mr. Chetan Champaneria. The company is engaged in manufacturing of Heavy Duty Cast Iron, S.G.Iron and Carbon Steel Castings. It caters to Earth moving, Machine tools, Compressor, Plastic Injection Moulding Machine, Valve Industries, Crusher & Construction companies. The Company currently has two units - one for manufacturing of castings with an installed capacity of 2.5 MTPA and other for fettling, grinding and finishing.

About the Group

Shaifali Rolls Limited (SRL), an unlisted public company was incorporated in 2004. It is engaged in manufacturing of pig iron, spheroidal graphite/ alloy indefinite chilled cast rolls & centrifugally cast DP / high chrome rolls. It mainly caters to the rolling mills and power generation industry. It is also engaged in manufacturing of iron castings. SRL was undergoing corporate insolvency resolution process and was acquired by FFEPL along with Omkara Asset Reconstruction Pvt Ltd (OARPL) vide NCLT order in November, 2019. As on March 31, 2021 FFEPL held 40 percent stake in SRL and balance was held by OARPL.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Fitcast Founders and Engineers Pvt Ltd (FFEPL) and Shefali Rolls Ltd (SRL), together the entities are referred to as 'Fitcast Group'. The consolidation is in view of common management, strong operational and financial synergies between the entities. Extent of consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Fitcast founders and Engineers Pvt Ltd started operations in 1999 to manufacture Heavy duty cast Iron, S.G. Iron & Carbon steel castings. The directors of the group are Mr. Bhalchandra Bhagwan Andhrutkar and Mr. Chetan Champaneria, each of whom have more than 3 decades of experience in the foundry industry. The directors are supported by a strong line of experienced mid-level managers. The Group's operating income stood at Rs.96.68 crore in FY22(Prov.) as compared to Rs.63.22 crore in FY21 and Rs.58.99 in FY20.

Acuite believes the experience of the directors and its established track record of operations will help the group in maintaining their business risk profile over the medium term.

Weaknesses

- **Below average Financial Risk Profile**

Fitcast Group has a below average financial risk profile marked by low networth, moderate gearing and low coverage indicators. The tangible networth increased to Rs. 20.83 Cr. in FY22(Prov.) as against Rs. 9.94 Cr in FY21 and Rs. (56.76) Cr in FY20. The group's total debt stood at Rs. 22.13 Cr. as on March 31, 2022(Prov.) as against Rs. 24.54 Cr. as on March 31, 2021 and Rs. 83.35 Cr. as on March 31, 2020. The group's overall gearing stood at 1.06 times as on March 31, 2022(Prov.) as against 2.47 times as on March 31, 2021 and (1.47) times as on March 31, 2020. The TOL/TNW stood at 2.66 times as on March 31, 2022(Prov.) as against 5.28 times as on March 31, 2021 and (3.98) times as on March 31, 2020. The ICR stood at 2.95 times in FY22(Prov.) as against 3.32 times in FY21 and 1.21 times in FY20. The DSCR improved to 0.73 times in FY22(Prov.) as against 0.07 times in FY21 and 0.02 times in FY20.

Acuite expects the financial risk profile to remain modest over the medium term.

- **Working Capital Intensive Nature of Operations**

Fitcast Group has working capital intensive nature of operations marked by improved yet high GCA days of 124 days as on March 31, 2022(Prov.) as against 211 days as on March 31, 2021 and 859 days as on March 31, 2020. The GCA days are driven by debtor days and inventory days. The debtor days declined to 99 days as on March 31, 2022(Prov.) as against 157 days as on March 31, 2021 and 581 days as on March 31, 2020. The inventory days stood at 39 days as on March 31, 2022(Prov.) as against 60 days as on March 31, 2021 and 91 days as on March 31, 2020. The creditor days declined to 142 days as on March 31, 2022(Prov.) as against 207 days as on March 31, 2021 and 688 days as on March 31, 2020. The average bank limit utilisation for six months ending June, 2022 is ~90 percent.

Acuite believes that the group's ability to maintain its working capital efficiently will remain a key rating sensitivity

- **Intense competition in the iron & steel industry**

The iron & steel industry is highly fragmented and unorganized. The company is exposed to intense competitive pressure from large number of organized and unorganized players with low entry barriers and lack of product differentiation.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins and capital structure
- Elongation of working capital cycle
- Deterioration in liquidity position

Material covenants

None

Liquidity Position: Stretched

The Group's liquidity position is stretched marked by low net cash accruals of Rs. 6 crore against its maturing debt obligations of Rs. 9.48 crore for the same period. The gap was funded by way of infusion of additional funds raised from various financing sources. The group is expected to generate net cash accruals of Rs.7-8.5 crore in FY23-24 as against maturing debt obligations of Rs.1.5-5 crore over the same period. The group's reliance on working capital is high marked by approx. 90 percent utilization of bank limits during the last six months period ended June'22. Furthermore, the group maintained unencumbered cash and bank balances of Rs.0.56 crore as on March 31, 2022(Prov.). The current ratio stood at 0.79 times as on March 31, 2022 (Prov.). Acuite expects the group's liquidity to remain stretched marked by moderate cash accruals against low debt repayment obligations.

Outlook: Stable

Acuite believes that FFEPL will maintain a 'Stable' outlook over medium term on account of experience of its management, and established track record of operations. The outlook may be revised to 'Positive' in case the Group achieves higher than expected improvement in its scale of operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	96.68	63.22
PAT	Rs. Cr.	3.38	(3.05)
PAT Margin	(%)	3.50	(4.82)
Total Debt/Tangible Net Worth	Times	1.06	2.47
PBDIT/Interest	Times	2.95	3.32

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4 Assigned
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	2.23	ACUITE BB- Stable Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	3.85	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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