



Press Release
Fitcast Founders & Engineers Private Limited
December 01, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	19.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE BB-' (read as ACUITE double B minus)** to **ACUITE BB (read as Acuite double B)** on the Rs.19.00 Cr bank facilities of Fitcast Founders and Engineers Private Limited (FFEPL). The outlook is '**Stable**'.

Rationale for Rating Upgrade

The rating upgrade takes into consideration the improved operating and financial performance of the group, marked by revenue growth of ~26% and improved operating profitability. The revenue grew to Rs.121.23 Cr in FY2023 against Rs.96.31 Cr in FY2022, the growth being led by the increased volumes. Operating profitability stood at 8.56 percent in FY2023 against 8.09 percent in FY2022. The financial risk profile also marked improvement and stood moderate with improved net-worth, gearing, and stable debt protection metrics. The gearing levels stood at 1.13 times in FY2023 against 1.81 times in FY2022. The working capital operations marked improvement, though they continued to remain moderately intensive. Going forward, improvement in the scale of operations without any deterioration in profitability or capital structure or elongation in the working capital cycle will be a key monitorable.

About Company

Gujarat based Fitcast Founders & Engineers Private Limited was incorporated in 1999 by Mr. Bhalchandra Bhagwan Andhrutkar 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, 2023 FFEPL held 40 percent stake in SRL and balance was by another sister company.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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 grew to Rs.121.23 Cr in FY23 as compared to Rs.96.31Cr in FY21, growth led by increase in volumes.

Acuite believes that 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.

Moderate financial risk profile

Fitcast Group has a moderate financial risk profile marked by improved net-worth, gearing and stable debt protection metrics. The net-worth increased to Rs. 17.74 Cr. in FY23 as against Rs.13.35 Cr in FY22. The increase in net-worth is due to accretion of profits to reserves. The group's total debt stood at Rs. 20.03 Cr. as on March 31, 2023, as against Rs.24.13 Cr. as on March 31, 2022. The total debt of Rs. 20.03 Cr. includes long term debt of Rs. 9.56 Cr. and unsecured loans Rs. 0.41 Cr and short-term debt of Rs.10.07 Cr. The group's overall gearing stood at 1.13 times as on March 31, 2023 as against 1.81 times as on March 31, 2022. The TOL/TNW improved to 2.53 times as on March 31, 2023 as against 4.25 times as on March 31, 2022. The ICR stood at 3.81 times in FY23 as against 2.79 times in FY22. The DSCR moderated to 1.13 times in FY23 as against 1.85 times in FY22. The NCA/TD stood at 0.35 times in FY23 as against 0.25 times in FY22.

Acuite believes that the group will continue to maintain moderate financial risk profile in the medium in absence of debt-funded capex and expected steady accruals generation.

Weaknesses

Moderately intensive working capital operations

The group's operations are moderately working capital intensive in nature. The GCA days decreased to 102 days as on March 31, 2023 as against 156 days as on March 31, 2022. The GCA days are driven by debtor days and inventory days. The debtor days declined to 55 days as on March 31, 2023 as against 92 days as on March 31, 2022. The group offers a credit period of 30- 90 days. A few customers have payment terms as against delivery. The inventory days stood at 46 days as on March 31, 2023 as against 40 days as on March 31, 2022. The inventory days are overall on the lower side. The group does not maintain any inventory of scrap as it is procured on daily basis. As resins are imported from China in bulk, the inventory needs to be maintained for the same. The creditor days declined to 84 days as on March 31, 2023 as against 135 days as on March 31, 2022. The group enjoys a credit period of up-to 90 days from its suppliers. The average bank limit utilisation for last 9 months ending September 2023 is approx.80 percent.

Acuite believes that the group's ability to restrict significant elongation in working capital operations 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 steady profitability margins and improvement in capital structure
Elongation of working capital cycle
Deterioration in liquidity position

All Covenants

Not Applicable

Liquidity Position

Adequate

The group generated net cash accruals of Rs. 6.99 Cr. in FY23 as against maturing debt obligations of ~ Rs.5.83 Cr. Going forward, the cash accruals are expected to remain in the range of Rs. 7.49-10.33 Cr. in FY24-25 as against maturing debt obligations of Rs.0.85-0.63 Cr respectively. The group has moderately intensive nature of operations. The average bank limit utilisation for the last 9 months ending September 2023 stood at 80.40 percent. The unencumbered cash and bank balance stood at Rs. 0.17 Cr. as on March 31, 2023 as against Rs. 0.56 Cr. as on March 31, 2022. The current ratio of the group is average and stood at 0.96 times as on March 31, 2023 as against 0.94 times as on March 31, 2022.

Acuite expects liquidity position to remain adequate on account of expected sufficient cash accruals generation and moderately utilised working capital limits

Outlook:Stable

Acuité 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 significant elongation in its working capital cycle impacting its liquidity profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	121.23	96.31
PAT	Rs. Cr.	4.39	3.41
PAT Margin	(%)	3.62	3.54
Total Debt/Tangible Net Worth	Times	1.13	1.81
PBDIT/Interest	Times	3.81	2.79

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Sep 2022	Term Loan	Long Term	3.85	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	2.23	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	1.50	ACUITE A4 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	0.75	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.77	ACUITE BB- Stable (Assigned)
	Secured Overdraft	Long Term	4.50	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.28	ACUITE BB Stable Upgraded
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BB Stable Upgraded
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.22	ACUITE BB Stable Upgraded
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE BB Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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