

Press Release

Iconic Castings Private Limited

June 01, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 17.00 crore bank facilities of Iconic Castings Private Limited. The outlook is '**Stable**'.

Iconic Castings Private Limited (ICPL) was incorporated in 2010 by Mr. Tushar Kulkarni, Mr. Sandeep Pore, Mr. Sachin Pore, Mr. Nilesh Kulkarni, Mr. Amit Deshpande, and Mrs. Sushama Rao. ICPL commenced operations in FY2013. The company is engaged in manufacturing graded cast iron, spheroidal graphite iron castings and manufacturing of automotive castings of sand cast grey iron and sand cast ductile iron weighing 0.50 kgs to 50 kgs. The product profile includes various types of flywheels, oil filter, pressure plates, pump housing required for car, commercial vehicle, farm equipment, hydraulic products and machine industry in the weight range of 0.50 kgs to 35 kgs. ICPL caters to reputed clients like Tata Motors Limited, Bajaj India and Hero Motor Corp, Exide India Limited, and Mahindra and Mahindra.

Key Rating Drivers

Strengths

• Experienced management

Iconic Castings Private Limited (ICPL) was incorporated in 2010 and started operations in FY2013. The company's management comprises Mr. Sachin pore and Mr. Sandeep Pore having experience of more than two decades in the casting and moulding business through group companies. The directors also manage another partnership firm named Pore Industries which was established in 1990 and is also engaged in the foundry business. Mr. Amit Deshpande also has relevant experience through group companies engaged in chemical casting process. Mr. Tushar Kulkarni and Mr. Nilesh Kulkarni have experience in managing another firm engaged in manufacturing equipments and patterns since 2006.

• Moderate financial risk profile

The financial risk profile of ICPL is moderate marked by tangible net worth of Rs.9.11 crore which includes unsecured loans to the tune of Rs.7.89 crore considered as quasi equity as on 31 March, 2018 (Provisional). The total debt of Rs.10.71 crore outstanding as on 31 March, 2018 comprises Rs.6.87 crore as term loan from the bank and Rs.3.83 crore as working capital borrowings from the bank. The gearing is comfortable at 1.18 times as on 31 March, 2018 (Provisional) as against 7.04 times as on 31 March 2017. Coverage ratios have slightly improved as interest coverage ratio stood at 2.95 times in FY2018 (Provisional) as against 2.06 times in FY2017, while DSCR stood at 1.12 times in FY2018 (Provisional) as against 0.96 times in FY2017. The net cash accruals stood improved at Rs.4.24 crore in FY2018 (Provisional) as compared to Rs.2.62 crore in FY2017. The NCA/TD ratio also showed improvement at 0.40 times in FY2018 (Provisional) as compared to 0.15 times in FY2017. Acuite believes that ICPL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

• Comfortable working capital cycle

The working capital cycle of ICPL is comfortable marked by Gross Current Assets of 89 days in FY2018 (Provisional) as against 101 days in FY2017. The inventory holding period decreased to 34 days in FY2018 (Provisional) as against 43 days in FY2017. The receivable days are also comfortable at 50 days in FY2018 (Provisional) as against 54 days in FY2017. The average bank limit utilisation stood at 65 percent for the last six months ended April 2018. The company has comfortable liquidity marked by cash and bank balance of Rs.1.72 crore as on 31 March, 2018 (Provisional). Acuite believes that the

company will maintain the efficient working capital management over the near to medium term on account of adequate availability of funds.

Weaknesses

• Debt funded capex plan

In FY2019, ICPL is planning to increase its production capacity by introducing a new vertical high pressure moulding line which will help manufacture smaller products. The project was initiated in April 2018 and its estimated completion is October 2018. ICPL is expecting a capacity increase of 700-800 MT per month, with the onset of this new unit from October 2018. The total project cost is estimated to be Rs.18.00 crore, which will be funded by Rs.15.00 crore term loans from bank and the remaining by internal accruals and promoters funds. Acuite believes that the ability of ICPL to optimally increase its turnover via the capacity increase from the new unit and generate adequate cash accruals to repay its future debt obligations will be critical.

• Susceptibility of profitability margins to volatility in raw material prices

Pig iron and MS scrap are the major raw materials required by ICPL. The firm is exposed to risk as iron prices are fluctuating as they are largely dependent on several external factors like international and domestic demand and productions.

• Competitive and fragmented nature of iron and steel industry

ICPL operates in a highly competitive and fragmented industry characterised by large number of unorganised as well as organised players thereby affecting the profitability margins of the company because of low pricing power.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Iconic Castings Private Limited to arrive at the rating.

Outlook: Stable

Acuite believes ICPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins and deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	77.30	58.34	54.19
EBITDA	Rs. Cr.	6.32	5.04	4.85
PAT	Rs. Cr.	1.35	0.07	3.27
EBITDA Margin	(%)	8.17	8.64	8.96
PAT Margin	(%)	1.75	0.11	6.04
ROCE	(%)	26.65	15.98	10.50
Total Debt/Tangible Net Worth	Times	1.18	7.04	8.69
PBDIT/Interest	Times	2.95	2.06	2.04
Total Debt/PBDIT	Times	1.67	3.42	4.10
Gross Current Assets (Days)	Days	89	101	95

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.86	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.14	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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