

Press Release

Superfine Extrusions Private Limited

July 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.04 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 11.04 crore bank facilities of Superfine Extrusions Private Limited. The outlook is '**Stable**'.

Superfine Extrusions Pvt. Ltd incorporated in 2004 is engaged in the manufacture of aluminium extrusion profiles. The company caters to end user industries such as infrastructure, power, electronic component, engineering, automobile, solar, light-emitting diode (LED) lighting, and defence. The manufacturing facility is located in Ahmednagar (Maharashtra).

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, CA. Ravindra Katariya and CA. Siddharth Kataria have experience of around two decades in the aluminium extrusion industry. They are ably supported by ADV Kanakmal P Katariya and CA. Shrenik Katariya. Superfine Group backed by an experienced management has been able to generate healthy relations with reputed clientele comprising of Bhabha Atomic Research Centre (BARC), Bharat Heavy Electrical Limited (BHEL), BOSCH Automotive Electronic India Limited among others.

- **Comfortable working capital**

SG has comfortable working capital marked by Gross Current Assets of 91 days in FY2017 as against 89 days in FY2016. The debtor and inventory days stood comfortable at 33 and 51 respectively in FY2017 as against 51 and 45 days respectively in FY2016. Further, the bank limit utilisation stood at an average of ~90 percent for the last six months ended April, 2018.

- **Moderate financial risk profile**

SG has moderate financial risk profile marked by moderate net worth, low gearing and average debt protection measures. SG's net worth is moderate at around Rs.119.59 crore as on March 31, 2017. The net worth has improved sequentially from Rs.112.09 crore as on March 31, 2016 on account of moderate accretion to reserves. The net worth also comprises of Rs.66.32 crore of borrowings which has been treated as quasi equity. Acuité believes that the net worth is expected to remain moderate backed by its stable operating margins leading to moderate accretion to reserves. Interest Coverage Ratio stood at 1.56 times as on March 31, 2017 as against 1.73 times as on March 31, 2016. Debt Service Coverage Ratio stood at 1.25 times as on March 31, 2017 as against 1.42 times as on March 31, 2016. The company has followed a conservative financial policy in the past, with its peak gearing estimated at around 1.11 times as on March 31, 2017. The TOL/TNW ratio, however, is estimated to be low at around 1.35 times as on March 31, 2017.

Weaknesses

- **Competitive and fragmented industry**

The company faces stiff competition from several organised and unorganised players in the aluminium extrusion industry, given the low capital investment and technical expertise required to produce the extrusions. It limits the pricing flexibility and bargaining power with customers, thereby

putting pressure on its revenues and margins.

- **Margins susceptible to volatility in raw material prices**

The margins of the company are largely affected by the raw material price fluctuation, which affects the sales realisations. Any adverse movement in the price of raw materials could have an adverse impact on the group's margins.

- **Low profitability margins**

SG reported operating margin of 3.16 percent for FY2017 as against 3.43 percent in the previous year. However, the net profit margins are thin at 0.87 percent in FY2017 as against 1.02 percent in FY2016. However going forward, the margins are estimated to improve as the percentage of value added products have increased during FY2018.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Superfine Metals Pvt. Ltd, Superfine Extrusions Pvt. Ltd and Superfine Profiles and Extrusions Pvt. Ltd known as Superfine Group (SG). The consolidation is in view of the common management, operational and financial linkages.

Outlook: Stable

Acuité believes that SG will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position

About the Group

The Superfine Group (SG) has following companies : Superfine Metals Pvt. Ltd (incorporated in 2008), Superfine Extrusions Pvt. Ltd (1998), and Superfine Profiles and Extrusions Pvt. Ltd (2001).

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	810.06	743.53	698.54
EBITDA	Rs. Cr.	25.58	25.51	19.14
PAT	Rs. Cr.	7.05	7.56	4.79
EBITDA Margin	(%)	3.16	3.43	2.74
PAT Margin	(%)	0.87	1.02	0.69
ROCE	(%)	9.89	10.53	16.39
Total Debt/Tangible Net Worth	Times	1.11	0.99	0.97
PBDIT/Interest	Times	1.56	1.73	1.62
Total Debt/PBDIT	Times	5.16	4.33	5.20
Gross Current Assets (Days)	Days	91	89	85

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	8.50	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.54	ACUITE A3

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About Acuité Ratings & Research:

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