

Press Release

Finex Techno Cast

May 21, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 6.00 crore bank facilities of Finex Techno Cast (FTC). The outlook is '**Stable**'.

FTC, a partnership firm based of Rajkot (Gujarat) was established in 2018. The firm is a sister concern of 'Finecast Industries (FI)'. The promoters have extensive experience in casting and forging industry since 1995. The group is now engaged in manufacture of precision quality engineering products. FI obtains castings from its suppliers and does machining work according to customer's requirements. The group has planned to backward integrate and established foundry division in FTC to produce casting equipment. All manufacturing facilities of FI are located at Shapar in Rajkot with installed capacity of 180000 units per annum for Electric motor, end cover capacity of 360000 units per annum and 300000 units per annum for Auto parts. FTC manufacturing facility is located in same vicinity with installed capacity of 1000 Metric ton per month and is expected to start commercial operation from January 2020.

Analytical Approach

Acuité has considered standalone financials of Finex Techno Cast (FTC) to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced Partners**

The key partner, Mr. Savjibhai Bambhrolia has three decades of experience and other partners of the firm possess more than a decade of experience in casting and forging industry. The extensive experience of the partners has helped firm to develop longstanding relationships with reputed clients and suppliers. Their experience in the industry has developed establish market for their products in international as well as domestic market. The firm is also well supported by second line of management.

- **Location advantage and proximity to raw materials**

The factory is located near Mundra Port & Kandla Port and well connected with the National Highway. This has helped the firm in easy transportation of their products to major cities and timely procurement and availability of raw material.

Weaknesses

- **Project risk**

FTC is a backward integration project undertaken for manufacturing of casting components, which currently FI procure from outside. 50.00 percent of the production is expected to be supplied to FI and for the rest, the firm is planning to sell directly to the clients. The total project cost is Rs.10.60 crore, which will be funded through Rs.6.00 crore debts and the rest will be contributed through partners' capital in the business. The commercial production will start from December 2019 to January 2020. The timely execution and completion of project as per the schedule are pertinent risks. Any delay in execution or unavailability of timely funding will lead to significant cost overrun.

• **Highly competitive industry and risk of capital withdrawal**

The industry is marked by the presence of several medium to big size players and there is low entry barriers leading to high competition. These restrict bargaining power with customers for players such as FTC which is in the initial stage of operations. Further, being partnership nature of constitution there is always a capital withdrawal risk. Acuité believes that the firm will derive support from its partners' establish network and FI for commercialisation of the proposed project.

Liquidity Position:

FTC is yet to start commercial production from January 2020 and the project will have repayment obligations of Rs.0.90-0.95 lakhs per annum going forward. As the firm is in nascent scale of operations, the repayment obligations are to be borne by the partners' in form of capital and unsecured loans. Acuité believes the liquidity to improve over near to medium term on timely completion and start of the project.

Outlook: Stable

Acuité believes that FTC will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from the experienced partners. The outlook may be revised to 'Positive' in case the firm is able to timely execute the proposed project and registers significant growth in scale of operations. The outlook may be revised to 'Negative' in case of any delay observed in project execution resulting in significant cost overrun or deterioration in overall financial risk profile.

About the Rated Entity - Key Financials

Not Applicable as the firm is yet to commence commercial operations.

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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