Rating Rationale

Siddhi Ferrous LLP

17Apr2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 22.29 Crores of Siddhi Ferrous LLP (SFL or The Firm).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr, 2018)	Present
Fund based Cash Credit Term Loan Proposed Cash Credit Proposed Term Loan	 9.50 0.46 -- --	 9.50 0.29 4.50 3.50	**Long Term**	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable**	**BWR BB+** (Pronounced as BWR Double B plus) **Outlook: Stable** (Upgraded)
Non Fund Based Bank Guarantee Letter Of Credit Proposed Bank Guarantee Proposed Letter Of Credit	 2.00 2.00 -- --	 2.00 2.00 0.50 --	**Short Term**	**BWR A4** (Pronounced as BWR A Four)	**BWR A4+** (Pronounced as BWR A Four plus) (Upgraded)
Total	**13.96**	**22.29**	**INR Twenty Two Crores and Twenty Nine Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

BWR has principally relied upon the audited financial results of FY18, projected financials upto FY21 and along with publicly available information, information/clarifications provided by the Firm's management.

The upgradation of the ratings has factored the overall growth in their financial parametres. Further, the ratings continues to factor the experienced promoters & established relationship with reputed and well established customers and suppliers. The ratings, however continue to be constrained by the marginally improved net profit margin and reduced operating profit margin, intense competition, inherent risk and working capital intensive nature of operations.

Going forward, the ability of the firm to further increase its scale of operations along with profitability, timely repayment of debt obligations, manage working capital efficiently, complying with all the terms and conditions of Bank sanction and improve its overall financial risk profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Promoters Experience and relationship with customers & suppliers** - Experience of promoters Mr. Naveen Tapadia, Mr. Sampti Kumar Gilad, and along with other fourteen partners is more than a decade and relationship with reputed clientele and suppliers is more than a decade.
- **Increased revenues**- Revenues increased from Rs. 61.03 Crs in FY17 to Rs. 92.10 Crs in FY18 and as informed by the firm that the revenues reported is Rs. 146.49 Crs as on March 2019.
- **Moderate gearing profile and moderate coverage indicators -** Gearing stood at 1.42 times in FY18. Interest coverage and debt coverage ratio stood at 1.73 times and 1.23 times in FY18.
- **Moderate liquidity position-** Moderate liquidity as current ratio stood at 1.84 times in FY18 and adequate conversion cycle stood at 44 days in FY18 as compared to 91 days in FY17.

Credit Risks:

- **Reduced operating profit margin and marginally improved net profit margin-** The operating profit margin reduced from 12.59% in FY17 to 8.91% in FY18 and net profit margin marginally improved from 1.83% in FY17 to 2.04% in FY18. Vulnerability of margins to fluctuations in raw material prices
- **Inherent risk-** Inherent risk of firm being partnership.
- **Intensively fragmented and competitive industry-** Exposure to cyclicality SFL operates in a highly competitive and fragmented metal industry with the presence of large number of unorganised players. Further, the Firm caters to the auto ancillary industry which is inherently cyclical in nature.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Siddhi Ferrous LLP** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Siddhi Ferrous LLP (SFL) was incorporated in the year 2003 as a partnership firm. It was converted to Limited Liability Partnership (LLP) in the year 2010. The firm is engaged in the mass production of ductile ferrous castings.
SFL manufactures SGCI inserts which are used for interlocking the railway tracks onto the concrete sleeper and automotive parts such as brackets etc. for OEMs like Tata Motors etc.

Firm Financial Performance

As per FY18 audited financials the Firm has reported revenue of Rs. 92.10 Crs and PAT of Rs. 1.88 Crs. As informed by the management the firm has reported revenues of Rs. 146.49 Crs in FY19.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	14.6.2018	2017	2016
	Fund Based **Proposed Fund Based**	Long Term	9..79 8.00	**BWR BB+** (Pronounced as BWR Double B plus) (Outlook:Stable) (Upgraded)	**BWR BB** (Pronounced as BWR Double B) (Outlook:Stable)	**Not rated earlier**	
	Non Fund Based **Proposed Non Fund Based**	Short Term	4..00 0.50	**BWR A4+** (Pronounced as BWR A Four plus) (Upgraded)	**BWR A4** (Pronounced as BWR A Four)		
	Total		**22.29**	**₹ Twenty Two Crores and Twenty Nine Lakhs Only**			

Status of non-cooperation with previous CRA : Nil
Any other information: Nil

Key Financial Indicators

Key Parameters	Units	2016	2017	2018	Dec 2018	2019	2020	2021
Result Type		**Audited**	**Audited**	**Audited**	**Mgmt Certified**	**Projections**	**Projections**	**Projections**
Operating Revenue	₹ in Crs	54.99	61.03	92.10	94.42	82.80	93.10	103.80
EBITDA	₹ in Crs	5.99	7.68	8.21	14.98	6.78	7.62	8.72
PAT	₹ in Crs	1.81	1.11	1.88	11.53	3.33	3.83	4.56
Tangible Net worth	₹ in Crs	15.79	16.69	15.68	22.03	21.55	24.39	27.70
Total Debt/Tangible Net worth	Times	1.12	1.19	1.42	0.94	1.12	0.94	0.77
Current Ratio	Times	2.15	1.99	1.84	2.23	2.33	2.44	2.57

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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