

March 13, 2025

Superfil Products Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash Credit	19.00	24.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced limits
Long-term – Fund-based – Term Loan	7.70	13.20	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced limits
Long-term – Fund-based – SLC	2.50	0.00	-
Short-term – Non-fund Based – LC	29.00	29.00	[ICRA]A2+; reaffirmed
Long-term/Short-term - Unallocated	3.85	0.85	[ICRA]BBB+(Stable)/[ICRA]A2+; reaffirmed
Total	62.05	67.05	

*Instrument details are provided in Annexure I

Rationale

The ratings consider ICRA's expectation that Superfil Products Private Limited's (SPPL) credit profile will remain comfortable on the back of a steady growth in revenues and earnings, supported by healthy demand for monofilament yarn, especially from the industrial segment, which accounts for ~65% of the company's revenues. However, the overall revenue growth is expected to be muted owing to subdued demand for the company's multifilament yarn, which has witnessed a decline in volumes. Planned capacity additions in FY2025 and FY2026 in the monofilament yarn division, which has been operating at a high capacity utilisation, is expected to support revenue growth over the medium term. The ratings consider SPPL's established presence and the extensive experience of its promoters in the filament yarn industry, which has ensured strong relationships with customers and regular order inflow. ICRA takes comfort from SPPL's revenue diversification across industries, which mitigates the risk of cyclicality in any industry, leading to stability in revenues. The ratings also consider the company's comfortable financial risk profile with a healthy gearing, strong coverage metrics and adequate liquidity position.

The ratings are, however, constrained by SPPL's modest scale of operations, which limits the economies of scale. The company is expected to expand its capacity to ~8,500 MT from 7,700 MT in FY2026 at an estimated cost of Rs. 14.0 crore. The ramp-up of the expanded capacity would support growth to an extent. The ratings also factor in the exposure of SPPL's profitability to volatile raw material prices and foreign exchange (forex) rate fluctuation, which coupled with intense competition puts pressure on its revenues and margins. Additionally, the company imports a significant part of its raw materials from China, so any increase in duties and tariffs would affect the company's margins. SPPL's operating margins remained healthy at 10-11% in FY2024, however, they are expected to moderate marginally in FY2025 on account of increased employee expenses.

The Stable outlook on the long-term rating reflects ICRA's opinion that SPPL will record a steady growth in its earnings, aided by planned capacity expansions and healthy demand for its key products, which would support the company in maintaining its healthy financial risk profile with comfortable debt metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters; established relationships with customers – SPPL was established in 1986. Its promoters have experience of over three decades in the filament yarn industry. The company has established relationships with its customers, ensuring regular order flow.

Diversified revenue base with moderate customer concentration risk –The company’s products cater to diverse industries such as fishing, agro, industrial, and technical applications. The company derives most of its revenues from the domestic market (82% in 9M FY2025), while 18% comes from exports to countries such as Malaysia, Italy, Sri Lanka, the UAE, and Belgium, among others. The diversified end-user base mitigates the risk of cyclicalities in any specific industry, lending stability to its revenues. Overall, the customer concentration has also remained low with the top 10 customers contributing ~41% to its revenues in 9M FY2025 (39% in FY2024).

Financial profile characterised by robust capital structure and coverage indicators – The company’s capital structure and coverage indicators continue to remain comfortable. The debt protection metrics have moderated, yet remained comfortable, as indicated by Total Debt (TD)/OPBDITA of 1.6 times, interest coverage of 6.2 times and DSCR of 3.8 times in 10M FY2025 (against TD/OPBITDA of 1.0 times, interest coverage of 7.7 times and DSCR of 3.0 times in FY2024). In 10M FY2025, the company’s revenues have been flat owing to a ~5% decline in volumes owing to reduced demand in the multifilament yarn division, while realisation increased by 7%. Increase in nylon prices, which is the company’s key raw material, has resulted in an increase in realisations. After a muted growth in FY2024 and FY2025, SPPL is expected to record a 5-8% revenue growth in FY2026, supported by capacity additions, expected growth in domestic volumes coupled with improved demand in global exports.

Credit challenges

Moderate scale of operations and stagnant revenue growth – The company is a mid-sized player in the filament yarn industry, with a moderate scale of operations at an installed production capacity of 7,300 MT. Additionally, SPPL has increased its manufacturing capacity by 400 MT in Q4 FY2025. In 10M FY2025, the company recorded revenues of Rs. 165.9 crore, a marginal YoY drop of 1%. The volumes have declined by 5%, although the overall realisation grew by 7%. While demand for multifilament yarn has been subdued, the monofilament yarn demand is improving with increasing wallet share from its existing customers and addition of new customers. The company plans to increase its manufacturing capacity by 800 MT in FY2026, successful ramp-up of which would aid in revenue growth.

Vulnerability of profitability to adverse fluctuation in raw material prices and forex rates – The company’s major raw materials are nylon 6, nylon 66 and polyethylene terephthalate (PET). Being crude derivatives, the raw materials expose its margins to adverse movements in raw material prices. Further, as SPPL derives 15-20% of its revenues from exports and is highly reliant on imports for its various raw materials, its profitability remains exposed to fluctuations in forex rates in the absence of any formal hedging policy.

Intense competition in the industry and high dependence on China for raw materials – The business environment remains competitive, given the industry structure. A large portion of the filament yarn industry is serviced by unorganised players, which cater to the small-scale requirements of clients across various industries, while the remaining is dominated by a few major players. This limits the company’s pricing flexibility and exerts pressure on its profitability. However, SPPL’s diverse product profile and its established client relationships mitigate the risk to some extent. As the company imports a significant part of its raw materials from China, their procurement and availability would be a key monitorable.

Liquidity position: Adequate

The company’s liquidity position remains adequate with free cash and bank balances along with investments of about Rs. 33.2 crore (free cash of ~Rs. 5.0 crore and balance ~Rs. 28.2 crore in mutual funds) as on January 31, 2025. It has a buffer of Rs. 4.1

crore (as on December 31, 2024) in working capital limits, against repayment obligations of about ~Rs. 2.3 crore in the next 12 months. The company also has capex plans of Rs. 13-15 crore for FY2026, which will be funded through a term loan of Rs. 10.0 crore and the balance through internal accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a material improvement in its scale of operations and profitability, leading to a sustained improvement in cash flows.

Negative factors – ICRA may downgrade the ratings if a material decline in scale or profitability leads to deterioration in debt metrics or liquidity position. Any significant debt-funded capex affecting the company’s debt protection metrics materially can also lead to a downgrade. Specific credit metric that could lead to downgrade include TOL/TNW of more than 1.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Superfil Products Private Limited (SPPL), originally incorporated as a public limited company in 1986 in Chennai, was converted into a private limited company in 2016. SPPL manufactures monofilaments and multifilaments from various monomers and polymers such as nylon 6, nylon 66, polyethylene terephthalate (PET), polypropylene and polyethylene. The company manufactures filaments in various grades, which find applications primarily in the fishing net industry and agro lines. The manufactured filaments are also used for diverse industrial and medical applications. The company also has three windmills with a total generation capacity of 2.55 MW.

Key financial indicators (audited)

SPPL (standalone)	FY2023	FY2024
Operating income	206.4	200.7
PAT	14.1	12.8
OPBDIT/OI	10.9%	10.6%
PAT/OI	6.8%	6.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	1.2	1.0
Interest coverage (times)	7.7	7.7

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Chronology of rating history for the past 3 years							
		Current (FY2025)		FY2024		FY2023		FY2022	
		Amount rated (Rs. crore)	Mar 13, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	24.00	[ICRA]BBB+ (Stable)	Mar-18-24	[ICRA]BBB+ (Stable)	Mar-16-23	[ICRA]BBB+ (Stable)	Jun-03-21	[ICRA]BBB+ (Stable)
		-	-	-	-	Jun-10-22	[ICRA]BBB+ (Stable)	-	-
Term Loan	Long term	13.20	[ICRA]BBB+ (Stable)	Mar-18-24	[ICRA]BBB+ (Stable)	Mar-16-23	[ICRA]BBB+ (Stable)	Jun-03-21	[ICRA]BBB+ (Stable)
		-	-	-	-	Jun-10-22	[ICRA]BBB+ (Stable)	-	-
Standby line of credit	Long term	0.00	-	Mar-18-24	[ICRA]BBB+ (Stable)	Mar-16-23	[ICRA]BBB+ (Stable)	Jun-03-21	[ICRA]BBB+ (Stable)
		-	-	-	-	Jun-10-22	[ICRA]BBB+ (Stable)	-	-
Letter of Credit	Short term	29.00	[ICRA]A2+	Mar-18-24	[ICRA]A2+	Mar-16-23	[ICRA]A2+	Jun-03-21	[ICRA]A2+
		-	-	-	-	Jun-10-22	[ICRA]A2+	-	-
Unallocated	Long term and short term	0.85	[ICRA]BBB+ (Stable) / [ICRA]A2+	Mar-18-24	[ICRA]BBB+ (Stable) / [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash Credit	Simple
Long-term – Fund-based – Term Loan	Simple
Short-term – Non-fund Based – LC	Very Simple
Long-term/Short-term - Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash Credit	NA	NA	NA	24.00	[ICRA]BBB+ (Stable)
NA	Term Loan	FY2025	NA	FY2030	13.20	[ICRA]BBB+ (Stable)
NA	Letter of Credit	NA	NA	NA	29.00	[ICRA]A2+
NA	Unallocated	NA	NA	NA	0.85	[ICRA]BBB+ (Stable) / [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar K
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 040 6939 6416
nithya.debbadi@icraindia.com

Nikhil Parakh
+91 44 4596 4321
nikhil.parakh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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