

April 08, 2025

Super Auto Forge Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – CC	60.00	60.00	[ICRA]AA(Stable); Reaffirmed
Short-term Fund-based	60.00	60.00	[ICRA]A1+; Reaffirmed
Short-term Interchangeable (sublimit)	(140.00)	(140.00)	[ICRA]A1+; Reaffirmed
Long term/short term – Unallocated	20.00	20.00	[ICRA]AA(Stable)/[ICRA]A1+; Reaffirmed
Total	140.00	140.00	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of ratings outstanding on Super Auto Forge Private Limited's (SAFPL/the company) bank lines reflects the company's strong credit profile backed by its diversified and strong product profile, established client relationships and strong financial metrics, and the expectation that it would remain strong over the medium term, despite any moderation in revenues/margins in the next 6-12 months, on account of demand slowdown stemming from the import tariff in the US and ongoing demand slowdown in Europe. The company reported a compounded annual revenue growth (CAGR) of 20.4% from FY2019 to FY2024 aided by healthy demand from existing platforms, rising supplies to new platforms because of vendor diversification initiatives by global original equipment manufacturers (OEMs), scale-up of volumes from programmes where supplies have commenced in the last few years and higher value addition. Also, while technological intensity, high precision and limited competition have resulted in strong margins for SAFPL over the last several years, favourable product mix and increasingly higher value addition, favourable forex movement and benefits from operating leverage have resulted in further improvement. The company reported an operating profit margin of 32.4% in 9M FY2025. While ICRA expects SAFPL's margins and earnings to remain strong over the near to medium term, despite any impact because of the import tariffs in the US, it remains a monitorable. SAFPL has remained net debt negative for the last several years, with unencumbered cash and liquid investments of Rs. 819.7 crore as on December 31, 2024. In the absence of debt-funded capex plans going forward, ICRA expects SAFPL's debt metrics and liquidity to remain strong over the medium term.

The ratings also favourably factor in SAFPL's diverse product portfolio, which mitigates risks arising from product-specific technology changes to a large extent. Further, the company has an established customer profile comprising several reputed Indian and global tier-I players and has had healthy share of business with its customers apart from periodic new order wins. However, the company derived 56% of its revenues from its top three customers in 9M FY2025, exposing it to customer concentration risk. Also, SAFPL's working capital intensity (NWC/OI) has been high at over 35% over the last few years and there could be elongation in receivables stemming from demand slowdown/impact of import tariff in the US. Nevertheless, its borrowings remain low, owing to strong accruals, which provides comfort to a large extent.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its strong business profile, cash accruals and liquidity position, despite any impact on account of demand slowdown stemming from the import tariff in the US and ongoing demand slowdown in Europe.

Key rating drivers and their description

Credit strengths

Strong margins aided by presence in a niche product segment and technological capabilities – SAFPL has enjoyed an established presence in the cold and warm forging segment for over four-and-a-half decades. There are only a few players in the cold forgings space because it is technologically intensive and requires high precision, resulting in limited competition. The technological intensity and limited competition have resulted in strong margins for SAFPL over the last several years. The favourable product mix and increasingly higher value addition, favourable forex movement and benefits from the operating leverage have supported the sustenance of strong profit margins in the last few years. The company reported a strong operating profit margin of 32.4% in 9M FY2025.

Conservative debt metrics and strong liquidity – Aided by healthy accruals and limited debt-funded capex in the past, SAFPL has remained net debt negative for the last several years. The company had a gross debt of Rs. 70.0 crore against sizeable, unencumbered cash and liquid investments of Rs. 819.7 crore as on December 31, 2024. Its average working capital utilisation remained low at 22% of the drawing power for the period January 2024 - December 2024. In the absence of any debt-funded capex plan going forward, ICRA expects SAFPL's debt metrics and liquidity to remain strong over the medium term.

Established customer profile – SAFPL continues to supply to several reputed Indian and global tier-I players and has had healthy share of business with its customers. SAFPL's established relationships with its customers and its strong technological capabilities have resulted in sustained repeat orders, low customer churn rates and healthy new businesses over the years.

Diverse product portfolio – SAFPL has a diverse product portfolio comprising driveshaft components (57% of revenues in 9M FY2025), steering/suspension components (27%) and brake components (14%). A minimal portion of revenues comes from components for non-automotive applications like electrical appliances and defence. The diversified revenue base mitigates the risks arising from product-specific technology changes to a large extent. The company is also unlikely to be materially impacted by transition to EVs.

Credit challenges

Revenues and margins exposed to demand dynamics in overseas markets; any material impact of import tariff in the US a monitorable – The company derives over 80% of its revenues from the export markets, with 65-70% coming from North America and 15-20% from Europe. The supplies are predominantly to the passenger vehicle (PV) segment. The relatively high export proportion to the US could result in some moderation in revenues for SAFPL, should there be any demand slowdown on account of the import tariff in the US. The potential impact of demand slowdown in Europe on SAFPL's topline growth also cannot be ruled out in FY2026. Nevertheless, the company's healthy order book, supported by rising supplies to new platforms because of vendor diversification initiatives by global OEMs, scale-up of volumes from programmes where supplies have commenced in the last few years and higher value addition, mitigate the revenue risk to a large extent, and are likely to support healthy medium-term revenue prospects. While ICRA expects SAFPL's margins and earnings to remain strong over the near to medium term, despite any impact because of the import tariffs in the US, it remains a monitorable.

High working capital intensity – As the company derives over 80% of its revenues from the export market and consequently have longer lead times, the company holds high level of inventory. This has resulted in high working capital intensity (NWC/OI) of over 35% over the last few years. Also, there could be elongation in receivables stemming from demand slowdown/impact of import tariff in the US. However, SAFPL's borrowings remain low, owing to strong accruals, which provide comfort to an extent.

High customer concentration – The company is exposed to high client concentration risk with its top three customers generating 56% of its revenues in 9M FY2025. However, SAFPL's strong technological capabilities, established relationships with customers over the past four-and-a-half decades, a low churn rate and new business additions mitigate the risk to an extent.

Liquidity position: Strong

SAFPL's liquidity is strong with sizeable cash and liquid investments of Rs. 819.7 crore as on December 31, 2024. Its average working capital utilisation remained low at 22% of the drawing power for the period January 2024-December 2024. The anticipated business accruals are also likely to support SAFPL's liquidity. Against these sources of cash, the company has no repayment obligations owing to the absence of long-term loans on its books. SAFPL has annual capex plans of about Rs. 150.0-Rs. 200.0 crore during FY2026 and FY2027, to be funded through internal accruals. The company has had a history of buybacks (Rs. 60.0 crore in FY2025), and this could continue going forward as well. Nevertheless, ICRA expects SAFPL to be able to meet its medium-term commitments through internal sources of cash and yet be left with healthy cash/liquid investments surplus.

Rating sensitivities

Positive factors – ICRA could upgrade SAFPL's long-term rating upon significant improvement in revenues, earnings and cash flows, while maintaining comfortable debt protection metrics.

Negative factors – Pressure on SAFPL's ratings could arise from sustained weak performance, leading to a sharp deterioration in earnings; or sizeable debt-funded capex, dividend payout or buyback leading to significant weakening of liquidity or coverage metrics. Specific metrics that could trigger ratings downgrade include Total debt/OPBDITDA > 1x on a sustained basis. Any material impact on revenues or margins due to the import tariffs in the US would be a key monitorable.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the SAFPL's consolidated financial profile.

About the company

Super Auto Forge Private Limited is primarily a tier-II auto component supplier and is involved in manufacturing of cold forged/cold extruded steel and aluminium components for exports (84% of revenues in 9M FY2025) and domestic market (16%). Driveshaft application components generated 57% of revenues, followed by steering and suspension components (27%) and brake parts (17%). The company has six manufacturing facilities in and around Chennai. SAFPL has two fully-owned subsidiaries—Super Auto Forge Inc., USA, and Super Auto Forge BVBA, Belgium— engaged in the exclusive distribution of the company's products in North America and Europe.

Key financial indicators (Audited)

Consolidated	FY2023	FY2024
Operating income	1,425.2	1,519.0
PAT	332.9	394.9
OPBDIT/OI	33.3%	34.1%
PAT/OI	23.4%	26.0%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	174.5	143.5

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. Crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			April 08, 2025	-	February 19, 2024	December 15, 2022	
1 Fund-based – CC	Long-term	60.00	[ICRA]AA (Stable)	-	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	
2 Fund Based	Short-term	60.00	[ICRA]A1+	-	[ICRA]A1+	[ICRA]A1+	
3 Interchangeable (sublimit)	Short-term	(140.00)	[ICRA]A1+	-	[ICRA]A1+	[ICRA]A1+	
4 Unallocated	Long-term /Short-term	20.00	[ICRA]AA (Stable)/[ICRA]A1+	-	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA- (Positive)/[ICRA]A1+	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-Term - Fund Based/ CC	Simple
Short-term - Fund Based	Simple
Short-Term – Interchangeable (sublimit)	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	60.00	[ICRA]AA (Stable)
NA	WCDL/ Export Credit (sublimit of cash credit)	NA	NA	NA	(60.00)	[ICRA]A1+
NA	Export Credit	NA	NA	NA	20.00	[ICRA]A1+
NA	PCFC	NA	NA	NA	20.00	[ICRA]A1+
NA	PSCFC (sublimit of PCFC)	NA	NA	NA	(20.00)	[ICRA]A1+
NA	EPC (sublimit of PCFC)	NA	NA	NA	(20.00)	[ICRA]A1+
NA	Multiline	NA	NA	NA	20.00	[ICRA]A1+
NA	Pre-shipment finance (sublimit of multiline)	NA	NA	NA	(20.00)	[ICRA]A1+
NA	Post-shipment finance (sublimit of multiline)	NA	NA	NA	(20.00)	[ICRA]A1+
NA	Unallocated	NA	NA	NA	20.00	[ICRA]AA (Stable)/[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Super Auto Forge Private Limited	-	Rated Entity
Super Auto Forge Inc, USA	100.00%	Full Consolidation
Super Auto Forge BVBA, Belgium	100.00%	Full Consolidation

Source: Company

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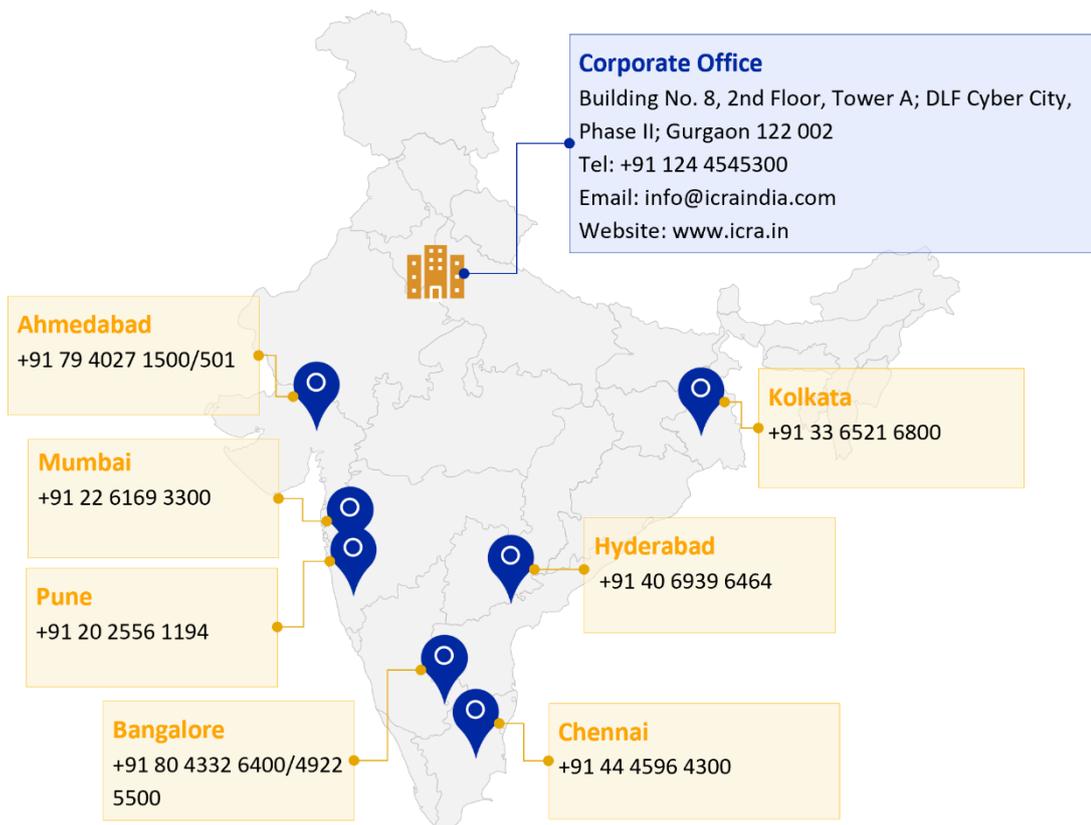
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