

## Superfil Products Private Limited

March 13, 2019

### Summary of rated instruments

| Instrument*                 | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                   |
|-----------------------------|--------------------------------------|-------------------------------------|---------------------------------|
| Long term - Fund based      | 12.00                                | 12.00                               | [ICRA]BBB+ (Stable); reaffirmed |
| Long term - Term loan       | 5.31                                 | 6.00                                | [ICRA]BBB+ (Stable); reaffirmed |
| Long term – Unallocated     | 11.49                                | 10.80                               | [ICRA]BBB+ (Stable); reaffirmed |
| Short term - Non-fund based | 11.20                                | 11.20                               | [ICRA]A2 +; reaffirmed          |
| <b>Total</b>                | <b>40.00</b>                         | <b>40.00</b>                        |                                 |

\*Instrument details are provided in Annexure-1

### Rationale

The ratings reaffirmation factors in the healthy financial risk profile of the company, characterised by its sound operating profit margin, debt protection metrics and a comfortable liquidity position. The ratings continue to factor in the experience of the promoters in the business for about three decades and the company's established relationship with its customers, ensuring regular order flow. Further, the ratings draw comfort from the company's reputed clientele spread across various industries like fishing, agro lines, industrial and technical applications. ICRA also takes comfort from the moderate customer concentration risk with the top 10 customers contributing 35% to the total revenues in FY2018. However, the ratings remain constrained by the company's modest scale of operations, limiting the benefits of economies of scale, and a stagnant revenue, witnessing a CAGR of ~3.9% during FY2013-FY2018. Further, the company's profitability remains vulnerable to fluctuations in raw material prices.

### Outlook: Stable

The Stable outlook reflects ICRA's expectation that the company's operational and financial risk profile will remain comfortable, going forward. The outlook may be revised to Positive if there is a substantial improvement in its scale of operations while sustaining the capital structure and profitability metrics. The outlook may be revised to Negative if there is a major decline in profitability or any significant debt-funded capex affects the company's debt protection metrics.

### Key rating drivers

#### Credit strengths

**Extensive experience of the promoters** – The promoters are in the business of manufacturing monofilament and multifilament yarn for more than three decades. The company's relationships, for more than a decade, with its top customers ensure regular and repeat orders.

**Financial profile characterised by low gearing and comfortable coverage indicators** – The capital structure remains healthy with a gearing of 0.2 times in FY2018. The company's coverage indicators including interest cover and DSCR continued to remain healthy at 21.3 times and 9.1 times, respectively in FY2018 owing to comfortable operating margins.

**Moderate customer concentration** – Customer concentration remained moderate as the top 10 customers contributed ~35% to revenues in FY2018. Apart from manufacturing fishing nets, the yarns are also used for diverse applications in agriculture, medicine etc.

### Credit challenges

**Modest scale of operations and stagnant revenues** – The company is a mid-sized player in filament yarn manufacturing with a modest scale of operations and the top line remained stagnant at Rs. 132 crore in FY2018 against Rs. 129.5 crore in FY2017.

**Earnings exposed to volatility in raw material prices** – Prices of yarn, the end product, have been fluctuating due to changes in price of raw material, nylon 6. Hence, the operating profit margin remains highly susceptible to fluctuations in raw material prices.

### Liquidity position

The company's liquidity position remains comfortable due to low utilisation of cash credit limit of Rs.12 crore and comfortable cash balances. The company has investments in tax-free bonds, which supports its liquidity position. Further, with minimum capex plans and debt repayment obligations, the liquidity is expected to be comfortable in the medium term.

### Analytical approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a> |
| Parent/Group Support            | NA  |
| Consolidation / Standalone      | NA  |

### About the company

Superfil Products Private Limited (SPL), originally incorporated as a public limited company in 1986 in Chennai, was converted into a private limited company in 2016. SPL 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)

|                              | FY2017 | FY2018 |
|------------------------------|--------|--------|
| Operating Income (Rs. crore) | 129.5  | 132.2  |
| PAT (Rs. crore)              | 14.8   | 10.2   |
| OPBDIT/ OI (%)               | 19%    | 13%    |
| RoCE (%)                     | 40%    | 21%    |
| Total Debt/ TNW (times)      | 0.2    | 0.1    |
| Total Debt/ OPBDIT (times)   | 0.4    | 0.3    |
| Interest coverage (times)    | 22.1   | 21.3   |

Source: SPPL

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years:**

|                  |            | Current Rating (FY2019)  |   |                     | Chronology of Rating History for the past 3 years |                      |                      |  |
|------------------|------------|--------------------------|---|---------------------|---|----------------------|----------------------|--|
| Instrument       | Type       | Amount Rated (Rs. crore) | Amount Outstanding as on October 2018 (Rs. Crore) | Date & Rating in    | Date & Rating in                                  | Date & Rating in     | Date & Rating in     |  |
|                  |            |                          |   | March 2019          | March 2018  | February 2017        | January 2016         |  |
| 1 Fund based     | Long Term  | 12.00                    | 4.71  | [ICRA]BBB+ (stable) | [ICRA]BBB+ (stable)                               | [ICRA] BBB+ (stable) | [ICRA] BBB+ (stable) |  |
| 2 Term loan      | Long Term  | 6.00                     | 2.80  | [ICRA]BBB+ (stable) | [ICRA]BBB+ (stable)                               | [ICRA]BBB+ (stable)  | [ICRA]BBB+ (stable)  |  |
| 3 Unallocated    | Long term  | 10.80                    | -   | [ICRA]BBB+ (stable) | [ICRA]BBB+ (stable)                               | [ICRA]BBB+ (stable)  | [ICRA]BBB+ (stable)  |  |
| 5 Non fund based | Short term | 11.20                    | -   | [ICRA] A2+          | [ICRA] A2+  | [ICRA] A2+           | [ICRA] A2            |  |

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

| ISIN No | Instrument Name    | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|--------------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
|         | Fund based CC      |                             |             |               | 12.00                    | [ICRA]BBB+ (stable)        |
|         | Term loan 1        | FY 2019                     |             | FY 2022       | 6.00                     | [ICRA]BBB+ (stable)        |
|         | Unallocated limits |                             |             |               | 10.80                    | [ICRA]BBB+ (stable)        |
|         | Letter of credit   |                             |             |               | 11.20                    | [ICRA]A2 +                 |

Source: SPPL.

## ANALYST CONTACTS

**Ravichandran. K**

+91 44 4596 4301

[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Akshay Kumar**

+91 44 4297 4310

[akshay.m@icraindia.com](mailto:akshay.m@icraindia.com)

**Srinivasan. R**

+91 44 4596 4315

[r.srinivasan@icraindia.com](mailto:r.srinivasan@icraindia.com)

**Rathina Pradeep**

+91 44 4297 4315

[rathina.r@icraindia.com](mailto:rathina.r@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents