

Rating Update
May 27, 2025 | Mumbai**Samrat Forgings Limited****Update as on May 27, 2025**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward Factors:

- Sustained growth in revenue and steady operating margin above 8.5%, leading to higher net cash accrual.
- Bank limit utilisation averaging less than 90%, aiding liquidity.

Downward Factors:

- Decline in revenue (by 20%) and operating margin (to less than 7.5%), leading to lower net cash accrual.
- Further stretch in the working capital cycle, weakening the financial risk profile and liquidity.

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from Samrat Forgings Limited (SFL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 1981, SFL undertakes closed-die forging and machining for components such as spindles, crank shafts, connecting rods, bull gears and crown wheels. Mr Rakesh Mohan Kumar is the managing director.

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Rating Rationale

March 30, 2024 | Mumbai

Samrat Forgings Limited

Rating outlook revised to 'Negative'; Ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.43.25 Crore
Long Term Rating	CRISIL BB+/Negative (Outlook revised from 'Stable'; Rating reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facility of Samrat Forgings Ltd (SFL) to '**Negative**' from 'Stable' and reaffirmed the rating at '**CRISIL BB+**'. The short-term rating has been reaffirmed at 'CRISIL A4+'.

The revision in outlook reflects the belief that liquidity and operating margin will remain under pressure over the medium term. Operating margin declined to 8.34% in fiscal 2023 (the lowest in the last five fiscals), which led to a stretch in net cash accrual against debt obligations. Exposure to intense competition may keep the margin constrained in fiscal 2024 as well.

Liquidity is marked by high bank limit utilisation (90-95%) and limited cushion in cash accrual against debt obligations.

The ratings continue to reflect the extensive experience of the promoters in the auto component industry. These strengths are partially offset by the average financial risk profile and large working capital requirement.

Analytical Approach

Unsecured loan of Rs 3.60 crore, extended by the promoters as on March 31, 2023, has been treated as neither debt nor equity as the loan is subordinated to bank debt, and expected to remain in business over the medium term.

Key Rating Drivers & Detailed Description

Strength:

- **Extensive experience of the promoters:** The three-decade-long experience of the promoter in the auto component industry and his healthy relationships with customers will continue to support the business risk profile. The diversified product offerings and strong procurement network shall further aid growth. Revenue has grown to Rs 181.46 crore in fiscal 2023, from Rs 139.33 crore in fiscal 2022, and is projected at Rs 170 crore in fiscal 2024. Decline in revenue factors in the slowdown in demand across the tractor industry.

Weaknesses:

- **Average financial risk profile:** High reliance on external debt constrains the financial risk profile. Networth is projected at around Rs 31 crore for fiscal 2024 (as against Rs 28.50 crore in fiscal 2023). Gearing too should be moderate at 1.88 times in fiscal 2024, as against 1.96 time as on March 31, 2023 and 1.85 times as on March 31, 2022). Debt protection metrics were weak, as reflected in expected interest coverage and net cash accrual to adjusted debt ratios of 2.18 times and 0.12 time, respectively, in fiscal 2024. (2.99 times and 0.15 time, respectively, in fiscal 2023).
- **Large working capital requirement:** Gross current assets stood at 145 days as on March 31, 2023. driven by inventory of 100 days and receivables of 47 days. However, payables of around 88 days supported the working capital cycle. GCAs may remain in a similar range in fiscal 2024 as well, driven by large inventory.

Liquidity: Adequate

Expected cash accrual of Rs 7-11 crore per annum will sufficiently cover yearly debt of Rs 6-6.5 crore over the medium term. However, with steady fall in operating margin exerting pressure on net cash accrual, further increase in bank limit utilisation will be a key monitorable. Current ratio stood at 1.03 times as on March 31, 2023.

Outlook: Negative

CRISIL Ratings believes liquidity of SFL will remain under pressure, amid pressure on profitability and higher reliance on bank debt.

Rating Sensitivity factors**Upward factors**

- Sustained growth in revenue and steady operating margin above 8.5%, leading to higher net cash accrual.
- Bank limit utilisation averaging less than 90%, aiding liquidity.

Downward factors

- Decline in revenue (by 20%) and operating margin (to less than 7.5%), leading to lower net cash accrual.
- Further stretch in the working capital cycle, weakening the financial risk profile and liquidity.

About the Company

Incorporated in 1981, SFL undertakes closed-die forging and machining for components such as spindles, crank shafts, connecting rods, bull gears and crown wheels. Mr Rakesh Mohan Kumar is the managing director.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	181.46	139.63
Reported profit after tax	Rs crore	4.89	3.56
PAT margin	%	2.69	2.55
Adjusted debt/Adjusted networth	Times	1.96	1.85
Interest coverage	Times	3.02	2.65

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	22.5	NA	CRISIL BB+/Negative
NA	Bank Guarantee	NA	NA	NA	2	NA	CRISIL A4+
NA	Letter of Credit	NA	NA	NA	5	NA	CRISIL A4+
NA	Bill Discounting	NA	NA	NA	1	NA	CRISIL BB+/Negative
NA	Term Loan	NA	NA	Aug-2027	12.75	NA	CRISIL BB+/Negative

Annexure - Rating History for last 3 Years

Current				2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	36.25	CRISIL BB+/Negative		--	02-01-23	CRISIL BB+/Stable	07-12-22	CRISIL BB+/Stable	28-10-21	CRISIL BB/Stable	CRISIL BB-/Stable
Non-Fund Based Facilities	ST	7.0	CRISIL A4+		--	02-01-23	CRISIL A4+	07-12-22	CRISIL A4+	28-10-21	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	2	The Jammu and Kashmir Bank Limited	CRISIL A4+
Bill Discounting	1	The Jammu and Kashmir Bank Limited	CRISIL BB+/Negative

Cash Credit	0.5	The Jammu and Kashmir Bank Limited	CRISIL BB+/Negative
Cash Credit	22	The Jammu and Kashmir Bank Limited	CRISIL BB+/Negative
Letter of Credit	5	The Jammu and Kashmir Bank Limited	CRISIL A4+
Term Loan	12.75	The Jammu and Kashmir Bank Limited	CRISIL BB+/Negative

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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