

Press Release

Sohams Foundation Engineering Private Limited (SFEPL)

03 May, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 20.00Cr.
Long Term Rating	SMERA B-/ Outlook: Stable (from SMERA D(Indicative))
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to **SMERA B- (read as SMERA B minus) and short term rating of SMERA A4 (read as SMERA A four)** to the Rs. 20.00 crore bank facilities of Sohams Foundation Engineering Private Limited. The outlook has been revised to '**Stable**'.

Sohams Foundation Engineering Private Limited (SFEPL), incorporated in 1995, is a Mumbai-based company promoted by Mr. Vitthal Vaishampayan. The company generally undertakes geotechnical engineering projects which includes activities like geotechnical investigation, geosynthesis, and ground engineering works. The major customers of the company include: The Dharma Port Company Limited, SMC Infrastructure Private Limited, ITD Cementation India Limited.

Key Rating Drivers

Strengths

- **Experienced Management and long track record of operations**

Sohams Foundation Engineering Private Limited (SFEPL), incorporated in 1995, is a Mumbai-based company promoted by Mr. Vitthal Vaishampayan and Anjali Vaishampayan. The promoters of the company are having more than two decades of experience in the same line of business.

- **Reputed Clientele base**

SFEPL is catering to reputed clients which includes: The Dharma Port Company Limited, SMC Infrastructure Private Limited, ITD Cementation India Limited. Further the company is catering to states like: Odisha, Maharashtra, Karnataka, Andhra Pradesh and also exporting to countries like Oman.

Weaknesses

- **Working Capital Intensive Nature of Operations**

The operations of the company are working capital intensive marked by high Gross Current Asset Days (GCA) of 211 as on 31st March 2017 as against 417 days in the previous year. The reason for the same is due to high debtor days of 130 days as on 31st March 2017 as against 309 days in the previous year.

- **Uneven Revenue Trend**

The revenue of the company is uneven in nature. The reason for the same is on account of dependence on the on government tenders and approvals from sanctioning authorities. The company has booked revenue of Rs.36.18 crore for FY2017 as against Rs.16.33 crores in the previous. The reason for decline in the revenue in FY16 is due to delayed execution of the projects and also delays from sanctioning

authorities.

• Average Financial Risk Profile

The company is having average financial risk profile marked by low networth, high gearing, comfortable debt protection measures. The net worth of the company stood at Rs.10.08 crores as on 31st March 2017 as against Rs.8.31 crores in the previous year. The gearing of the company stood average at 1.54 times as on 31st March 2017 as against 2.09 times in the previous year. The interest coverage ratio (ICR) stood at 2.75 times for FY2017 as against 0.77 times in the previous year. The reason for the same is due to decrease in the cost of borrowing portion. The TOL/TNW ratio stood at 2.22 times as on 31st March 2017 as against 2.38 times in the previous year.

• Highly fragmented and competitive industry

The company is operating in a highly fragmented and competitive industry marked by organized and unorganized players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Negative

SMERA believes that SFEPL will continue to benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the group's scale of operations, while it maintains its profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if group's revenue and profitability decline or if its financial risk profile weakens, most likely because of a stretch in its working capital cycle or large debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	36.18	16.33	17.22
EBITDA	Rs. Cr.	6.70	2.54	1.06
PAT	Rs. Cr.	1.79	(2.04)	0.22
EBITDA Margin	(%)	18.52	15.53	6.17
PAT Margin	(%)	4.94	-12.49	1.30
ROCE	(%)	26.06	7.56	6.09
Total Debt/Tangible Net Worth	Times	2.22	2.38	1.83
PBDIT/Interest	Times	2.75	0.77	0.81
Total Debt/PBDIT	Times	2.32	6.84	16.25
Gross Current Assets (Days)	Days	211	417	424

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Manufacturing Sector : <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years):

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12 Sep 17	Term Loan I	Long Term	7.70	SMERA D (Issuer not cooperating)
	Term Loan II	Long Term	1.46	SMERA D (Issuer not cooperating)
	Term Loan III	Long Term	0.84	SMERA D(Indicative)
	Cash Credit	Long Term	6.00	SMERA D(Indicative)
	Letter of Credit	Short Term	1.00	SMERA D (Issuer not cooperating)
	Bank Guarantee	Short Term	3.00	SMERA D(Indicative)
18th April 16	Term Loan I	Long Term	7.70	SMERA D (Reaffirmed)
	Term Loan II	Long Term	1.46	SMERA D (Reaffirmed)
	Term Loan III	Long Term	0.84	SMERA D (Reaffirmed)
	Cash Credit	Long Term	6.00	SMERA D (Reaffirmed)
	Letter of Credit	Short Term	1.00	SMERA D (Reaffirmed)
	Bank Guarantee	Short Term	3.00	SMERA D (Reaffirmed)
03 March 2015	Term Loan I	Long Term	7.70	SMERA D (Assigned)
	Term Loan II	Long Term	1.46	SMERA D (Assigned)
	Term Loan III	Long Term	0.84	SMERA D (Assigned)
	Cash Credit	Long Term	6.00	SMERA D (Assigned)
	Letter of Credit	Short Term	1.00	SMERA D (Assigned)
	Bank Guarantee	Short Term	3.00	SMERA D (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	CouponRate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.44	SMERA B-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.45	SMERA B-/Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA B-/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

Contacts

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Rating Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Deep Majumder, Analyst-Rating Corporations Tel: +91-233-66201213 Email: deep.majumder@smera.in	

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