

January 25, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA B+/Stable (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.15.00 crore bank facilities of Sonachi Industries Limited (SIL). The outlook is '**Stable**'.

The rating is constrained by SIL's declining operating profitability, working capital intensive operations and the highly competitive and fragmented agrochemical industry. However, the ratings draw comfort from the extensive industry experience of the promoter and healthy relations with customers and suppliers.

Outlook: Stable

SMERA believes that SIL will continue to maintain a stable business profile over the medium term owing to the promoters' extensive industry experience. The outlook may be revised to 'Positive' if the company reports substantial and sustainable revenues or operating margins resulting in improvements in its business risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further elongates resulting in weakening of the financial risk profile especially liquidity or if the company undertakes significant debt-funded capital expenditure over the medium term.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues or operating margins
- Efficient working capital management
- Future capital expenditure and its funding mix thereof

About the Company

Incorporated in 2006, SIL, a Maharashtra-based company is promoted by J. B. Tiwari and family. The company is engaged in the manufacture of agro chemicals such as insecticides, pesticides and fungicides at Dadra and has around 140 products.

For FY2014-15, SIL reported profit after tax (PAT) of Rs.0.65 crore on operating income of Rs.56.22 crore, as compared with PAT of Rs.0.94 crore on operating income of Rs.34.21 crore in the previous year.

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