



SMERA RATINGS LIMITED

Sohoni Metal Craft Private Limited (SMCPL)

Rating Rationale

February 22, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00*	SMERA BB/Stable (Assigned)
Stand by line of credit	0.30	SMERA A4+ (Assigned)
Letter of Credit	4.00	SMERA A4+ (Assigned)

**includes EPC as sublimit to the extent of Rs. 0.50 Crore*

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of **SMERA A4+**' (read as **SMERA A four plus**) to the Rs.6.30 crore bank facilities of Sohoni Metal Craft Private Limited (SMCPL). The outlook is '**Stable**'. The ratings draw support from the healthy financial risk profile and efficient working capital management. The ratings also draw comfort from the reputed client base, long track record of operations and experienced management. However, the ratings are constrained by customer concentration risk and moderate scale of operations.

Outlook: Stable

SMERA believes SMCPL will continue to benefit over the medium term from its promoters' extensive experience in the battery components manufacturing business and established relations with customers. The outlook may be revised to 'Positive' if the company achieves significant increase in scale of operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' if the liquidity weakens with unanticipated stretch in working capital cycle.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Effective working capital management
- Deterioration in the capital structure and coverage indicators

About the Company

SMCPL established in 1991 is a Gujarat-based company promoted by Mr. Dilip Sohoni and family. The company manufactures battery caps, bottoms and polyvinyl chloride sleeves for dry-cell batteries.

For FY2014-15, SMCPL reported net profit of Rs.0.46 crore on total income of Rs.21.27 crore as compared with net profit of Rs.0.57 crore on total income of Rs.20.14 crore in FY2013-14.

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*Rating
Rationale*

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