

March 11, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to the above mentioned Rs.8.00 crore bank facility of Sohan Industries. The outlook is '**Stable**'. The rating is constrained by the moderate scale of operations and long working capital cycle with high inventory. The rating is also constrained by moderate gearing, low interest coverage and intense competition in the rice industry. However, the rating draws support from the experienced management.

Outlook: Stable

SMERA believes that Sohan Industries will maintain a stable business risk profile owing to the management's extensive experience in the rice milling business and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in operations and profitability margin. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates further.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in working capital cycle and net worth

About the Firm

Sohan Industries, incorporated in 1995 as a partnership firm by Mr. Sohan Lal, Ms. Shakuntla and Mr. Amit Garg is engaged in the milling of basmati and non basmati rice. The processing facility is located at Karnal, Haryana.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.24.13 crore, as compared with profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.19.59 crore in FY2013-14. The net worth stood at Rs.3.10 crore as on March 31, 2015 against Rs.2.62 crore a year earlier. The total debt of Rs.10.46 crore includes unsecured loans of Rs.1.97 crore that are subordinated to bank debt as on March 31, 2015.

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