

May 02, 2016

| Facilities               | Amount (Rs. Crore) | Ratings                    |
|--------------------------|--------------------|----------------------------|
| Cash Credit              | 6.95               | SMERA BB/Stable (Assigned) |
| Stand-by Line of Credit* | 0.25               | SMERA A4+ (Assigned)       |
| Letter of Credit         | 2.50               | SMERA A4+ (Assigned)       |
| Bank Guarantee           | 0.25               | SMERA A4+ (Assigned)       |

\*Interchangeable with Cash Credit

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.6.95 crore long term bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.3.00 crore short term bank facility of Soluble Silicates Private Limited (SSPL). The outlook is '**Stable**'.

The ratings draw comfort from the extensive experience of the promoters in the sodium silicate manufacturing business and the company's diversified and reputed clientele. The ratings also draw support from the healthy financial risk profile marked by comfortable gearing, debt protection metrics and liquidity profile. However, the ratings are constrained by the moderate scale of operations, low profitability and working capital intensive business.

SSPL caters to a diversified client base including paper and detergent manufacturers, foundries and the construction industry. Over the years, the company has established long term relations with reputed companies such as Hindustan Unilever Limited (HUL), Emami Paper Mills Limited, Bhilai Steel Plant among others.

SSPL's healthy financial risk profile is marked by moderate Return on Capital Employed (ROCE) of 11.39 per cent, debt equity of 1.21 times, interest coverage ratio of 1.72 times and Debt Service Coverage Ratio (DSCR) of 1.55 times in FY2015. Moreover, the debt profile includes only working capital loans and unsecured borrowings. Further, the liquidity profile continues to remain comfortable with average bank limit utilisation of 85 per cent for FY2016.

However, the ratings are constrained by modest scale of operations as reflected from a turnover of Rs. 31.81 crs in FY2015. The profitability levels of the company are low at 1.38% in FY2015. The turnover of the company stood at Rs. 37.00 crore in FY2016.

The ratings factor in the working capital intensive operations marked by high gross current asset days of 209 days in FY2015 as against 179 days in FY2014 largely due to funds getting blocked in inventory. The inventory days stood at 166 days in FY2015 as compared to 129 days in FY2014.

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**Outlook – Stable**

SMERA believes SSPL will maintain a stable business risk profile over the medium term while benefitting from its experienced management and established market position. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues while improving profitability. Conversely, the outlook may be revised to 'Negative' in case the company fails to register expected growth in revenue or if the working capital cycle further deteriorates.

**Rating Sensitivity Factors**

- Improvement in scale of operations and profitability
- Efficient working capital management

**About the Company**

Established in 1997 by Mr. Naresh Kumar Poddar, SSPL is engaged in the manufacture of soluble silicates at West Bengal and has an installed capacity of 24,000 MTPA. The promoter, Mr. Poddar has experience of over three decades in the abovementioned line of business.

For FY2014-15 (refers to financial year April 01 to March 31), SSPL reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.31.81 crore, as compared with profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.31.86 crore in FY2013-14.

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