

Sokhi Ispat Private Limit: Assigned

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	6.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the above mentioned Rs.6.00 crore bank facility of Sokhi Ispat Private Limited (SIPL). The outlook is '**Stable**'.

The rating is constrained by the modest scale of business and limited track record of operations. The rating is also constrained by the working capital intensive operations and intense market competition in the steel angle manufacturing industry. However, the rating draws support from the experienced management and healthy customer and supplier relations.

SIPL commenced operations in 2015 to manufacture pipes and angles. The company has modest scale of operations with revenues of around Rs.18.00 crore (Provisional) in FY2015-16 as against Rs.8.00 crore in FY2014-15.

The company has below average financial risk profile with high gearing (debt to equity) at around 1.94 times as on March 31, 2015 and low interest coverage of 1.31 times in FY2014-15. The operations are working capital intensive with high working capital cycle of 179 days and high inventory of around 211 days as on March 31, 2015.

The company faces intense competition from small players in a similar line of business. However, the company is headed by Gurudeep Karnailsingh Sokhi (Managing Director) who possesses over three decades of experience in the iron and steel industry.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management
- Fluctuations in price trends of key raw material

Outlook-Stable

SMERA believes that SIPL will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the company reports substantial and sustainable revenues or operating margins resulting in improvement in its existing 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.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SIPL, incorporated in 2010, was promoted by Mr. Satnam Singh (Director) and his father Mr. Gurudeep Karnailsingh Sokhi (Managing-Director). The company is engaged in the manufacture of pipes, angle channels and round bars and has a capacity of around 12,000 MTPA. However, the current utilisation is only 50 per cent. The company reported sales of Rs.8.00 crore for FY2014-15 and profit after tax (PAT) of Rs.0.03 crore.

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ABOUT SMERA

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