

Press Release

Soni Rollers Private Limited

August 02, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.50 crore bank facilities of Soni Rollers Private Limited. The outlook is '**Stable**'.

Soni Rollers Private Limited (SRPL) established in 2007 is led by Mr. Jaspal Singh Soni, Mr. Mandeep Singh Soni, Mr. Sandeep Singh Soni and Mr. Mukesh Kumar Choudhury. The company is engaged in the manufacturing of industrial rollers, fabrication of steel, rubber coating, polyurethane coating and hard chrome coating. The installed capacity is 400 pcs of rollers per month. The company's registered office is located in Kolkata.

Key Rating Drivers

Strengths

- Experienced management**

The Directors, Mr. Jaspal Singh Soni, Mr. Mandeep Singh Soni, Mr. Sandeep Singh Soni possess around 25 years of experience in the iron and steel industry industry.

- Above average financial riskprofile**

SRPL's above average financial risk profile is marked by moderate net worth of Rs. 9.39 crore as on 31 March, 2017 (Provisional). The gearing stands comfortable at 0.89 times, which increased from 0.34 times in FY2016 mainly due to increase in long term loan and unsecured loan. The interest coverage ratio is comfortable at 2.17 times and debt service coverage ratio stands at 1.86 times in FY2017 (Provisional). The net cash accruals against total debt is moderate at 0.13 times in FY2017 (Provisional).

Weaknesses

- Moderate scale of operations**

The scale of operations is moderate at Rs.15.36 crore in FY2017 (Provisional), an increase from Rs.12.33 crore in FY2016 despite the company commencing operations in 2007.

- Working capital intensive operations**

The operations are working capital intensive evident from the high gross current assets (GCA) days of 317 during FY2017 (Provisional), an increase from 270 days in FY2016. This necessitates working capital requirements as major funds get blocked in debtors. The debtor's days stood at 192 days in FY2017 (Provisional) compared to 208 days in FY2016 mainly due to delays in payments from customers. The high GCA days is also due to the increase in inventory days to 97 in FY2017 from 51 days in FY2016 owing to increase in raw material inventory.

Analytical Approach

SMERA has considered standalone financial and business risk profile of SRPL.

Outlook: Stable

SMERA believes that SRPL will maintain a stable outlook in the medium term on account of its experienced management and moderate revenue scalability. The outlook may be revised to 'Positive' if the company registers sustained increase in revenues and accruals with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, SRPL reported profit after tax (PAT) of Rs 0.07 crore on total operating income of Rs.12.33 crore, as compared with loss of Rs.0.19 crore on total operating income of Rs.12.78 crore in FY2014-15. The company reported total operating income of Rs.15.36 crore in FY2017 (Provisional).

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.65	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.35	SMERA BB- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.20	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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