

Press Release

Soni Rollers Private Limited (SRPL)

August 24, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4+**' (read as **ACUITE 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 and Mr. Sundeep Singh Soni. 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 around 400 pcs of rollers per month. The company's registered office is located in Kolkata (West Bengal).

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

The directors of SRPL Mr. Jaspal Singh Soni, Mr. Mandeep Singh Soni, Mr. Sundeep Singh Soni come with more than two decades of experience in iron and steel industry industries. Prior to joining this company, they were associated with Soni Rubber Products Ltd and Waheguru Rubber Manufacturing Co Ltd. Since 2007 they have started this company and engaged in manufacturing of industrial rollers.

Above average financial risk profile:

The above average financial risk profile of the company is marked by moderate network, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.7.01 crore in FY2018 (Prov.) as compared to Rs.6.78 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.73 times in FY2018 (Prov.) as compared to 1.60 times in FY2017. The total debt of Rs.12.14 crore consists of short-term debt of Rs.6.39 and long term debt of Rs. 1.55 crore. The interest coverage ratio (ICR) of the company stood comfortable at 2.39 times in FY2018 (Prov.) as compared to 2.25 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 2.24 times in FY2018 (Prov.) as compared to 1.90 times in FY2017. The net cash accruals against the total debt stand low at 0.13 times in FY2018 (Prov.) compared to 0.10 times in FY2017.

Weaknesses

Working capital intensive nature of operation:

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 266 days in FY2018 (Prov.) as compared to 315 days in FY2017. The inventory days are high at 119 days in FY2018 (Prov.) as compared to 97 days in FY2017. The debtor days are also stands high at 158 days in FY2018 (Prov.) and 182 days in FY2017 respectively. The high inventory days are mainly on account of inherent nature of iron & steel industry.

Moderate scale of operation:

Though the company has started its operation since 2007, the revenue of the company stood moderate at Rs.16.52 crore in FY 2018 (Prov.) as compared to Rs.15.28 crore in FY2017. Acuite believes that the ability of the group to increase scale of operations while sustaining its profitability margins will remain a key monitorable.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuite 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

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.52	15.28	12.33
EBITDA	Rs. Cr.	3.08	2.02	1.49
PAT	Rs. Cr.	0.22	0.25	0.07
EBITDA Margin	(%)	18.66	13.20	12.07
PAT Margin	(%)	1.33	1.65	0.58
ROCE	(%)	9.29	8.88	6.52
Total Debt/Tangible Net Worth	Times	1.73	1.60	0.34
PBDIT/Interest	Times	2.39	2.25	2.19
Total Debt/PBDIT	Times	3.91	4.98	1.92
Gross Current Assets (Days)	Days	266	315	270

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Aug-2017	Term Loan	Long Term	INR 1.65	ACUITE BB-(Assigned)
	Cash Credit	Long Term	INR 3.35	ACUITE BB-(Assigned)
	Proposed Long Term Loan	Long Term	INR 0.80	ACUITE BB-(Assigned)

	Proposed Cash Credit	Long Term	INR 2.20	ACUITE BB- (Assigned)
	Bank Guarantee	Short Term	INR 0.05	ACUITE A4+ (Assigned)

*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 Loan	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head – Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@Acuite.in</p>

About ACUITE

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.