

## Press Release

### Soni Rollers Private Limited (SRPL)

November 06, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs 8.40 Cr. (Reduced from Rs 8.50 Cr.)
<b>Long Term Rating</b>	ACUITE BB-/Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.8.40 crore bank facilities of Soni Rollers Private Limited. The outlook is '**Stable**'.

Incorporated in 2007, Soni Rollers Private Limited (SRPL) is a private limited company headed by Mr. Jaspal Singh Soni, Mr. Mandeep Singh Soni and Mr. Sundeep Singh Soni. SRPL is engaged in manufacturing of industrial rollers, fabrication of steel, rubber coating, Polyurethane coating and hard chrome coating with installed capacity of 620 rollers per month.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SRPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operation**

Incorporated in 2007, the company has a track record of more than a decade. The directors Mr. Jaspal Singh Soni, Mr. Mandeep Singh Soni and Mr. Sundeep Singh Soni have experience of more than two decades in the iron & steel industry. Prior to this company, they were associated with Soni Rubber Products Limited and Waheguru Rubber Manufacturing Co. Private Limited. The longstanding experience of management and the long track record of operations have helped the company to establish a healthy relationship with its customers and suppliers.

- **Above Average financial risk profile**

The financial risk profile of SRPL remains above average marked by moderate net worth, moderate gearing and healthy debt coverage indicators. The tangible net worth stood at Rs 7.41 crores as on 31st March, 2019 as against Rs 7.40 crores in the previous year mainly on account of retention of current year profit. Acuité has considered unsecured loans from promoters of around Rs. 4.50 crore in FY2019 as quasi equity as the management has undertaken to maintain the same in the business over the medium term. The gearing stood moderate at 1.67 times as on 31st March, 2019 as against 1.61 times as on 31st March, 2018. The total debt of Rs 12.35 crores as on 31st March, 2019 includes long term debt of Rs 1.43 crores, working capital borrowings of Rs 6.46 crores, unsecured loans of Rs 4.06 crores and current maturities of long term debt of Rs 0.40 crores. The Interest coverage ratio and debt service coverage ratio stood moderate at 2.05 times and 1.53 times respectively in FY2019 compared to 2.09 times and 1.65 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times in FY 2019 as against 0.12 times FY 2018. Acuité expects the financial risk profile to remain above average in absence of major debt funded capex plans.

#### Weaknesses

- **Working capital intensive nature of business**

The company has working capital intensive nature of operation marked by high GCA days of 244 in FY2019 as compared to 271 days in FY2018. This is mainly on account of high inventory days of 115 in

FY2019 compared to 108 days in FY2018 due to maintenance of high raw material inventory. The debtor days stood at 138 days in FY2019 compared to 159 days in FY2018 on account of delayed realization from clients. Further, the working capital intensity is reflected from the ~92 percent utilization of its bank limit during the last twelve months ended August'19. Acuité expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company and high debtor days.

#### • **Moderate scale of operation**

The revenue of the company in FY19 has increased to Rs 21.37 crore as compared to Rs 16.82 crore in the previous year on account of improvement in capacity utilization. Further, the profitability stood moderate with operating margin of 13.03 percent in FY 19 as compared to 13.76 percent in FY 17. The company had received a huge discount in FY18 on procurement of raw materials on large quantity which resulted in decrease in raw material cost, and further resulting to improvement in the operating margin on the same year. The PAT margin stood low at 0.33 percent in FY 19 as compared to 0.68 percent in the previous year. Acuité believes the ability of the firm to scale up the operations will remain a key monitorable.

#### **Rating Sensitivity**

- Substantial growth in revenue and profitability
- Improvement in working capital intensity

#### **Material Covenants**

None

#### **Liquidity Profile**

The company has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 1.36 crores in FY 2019 which is estimated to increase marginally over the medium term on account of marginal improvement in scale of operation and profitability. Cash accruals of SRPL are estimated to remain around Rs. 1.78-1.93 crore during 2020-2022, while its repayment obligations are around Rs. 0.40-0.30 crore in the medium term. The bank limit in the company remains 92 percent utilized during the last twelve months ended on August, 2019. SRPL maintains unencumbered cash and bank balances of Rs.0.19 crore as on March 31, 2019. The current ratio of the company stands moderate at 1.61 times as on March 31st 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of improving cash accruals against its maturing debt obligations.

#### **Outlook: Stable**

Acuité believes that SRPL will maintain a stable outlook in the medium term on account of its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' if the company registers sustained increase in revenues and accruals coupled with improvement in working capital intensity. 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	21.37	16.82	15.36
EBITDA	Rs. Cr.	2.78	2.69	2.11
PAT	Rs. Cr.	0.07	0.11	0.24
EBITDA Margin	(%)	13.03	16.01	13.76
PAT Margin	(%)	0.33	0.68	1.55
ROCE	(%)	7.75	7.45	14.94
Total Debt/Tangible Net Worth	Times	1.67	1.61	0.89
PBDIT/Interest	Times	2.05	2.09	2.17
Total Debt/PBDIT	Times	4.40	4.39	3.84
Gross Current Assets (Days)	Days	244	271	317

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

None

#### **Any other information**

Not Applicable

#### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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 (in Rs Crores)	Ratings/ Outlook
24-Aug-2018	Cash Credit	Long Term	5.75	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	2.25	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
02-Aug-2017	Cash Credit	Long Term	3.35	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	1.65	ACUITE BB-/Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.80	ACUITE BB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	2.20	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE BB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE A4+

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#### About Acuité Ratings & Research:

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