

Press Release

Sonia Forgings Private Limited

July 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 6.00 crore bank facilities of Sonia Forgings Private Limited. The outlook is '**Stable**'.

Sonia Forgings Private Limited (SFPL) was incorporated in 1993. Mr. Krishan Lal and Mr. Manish Thakur are the promoters and Directors of the company. The company is engaged in manufacturing of automobile components like shafts and gear blanks.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Krishan Lal and Mr. Manish Thakur, both having over two decades of experience in the automobile component industry. On account of their long standing presence in the market and strong background, the company enjoys robust relationship with its customers and suppliers.

- **Product diversification**

The company produces different kinds of shafts and gear blanks. These components are manufactured for 2 wheelers, 3 wheelers and 4 wheelers. The company produces diverse products for all kinds of automobiles.

Weaknesses

- **Average financial risk profile**

The company reported tangible net worth of Rs. 4.40 crore as on March 31, 2018 (Provisional) as compared to Rs. 4.13 crore as on March 31, 2017. Total debt stood at Rs. 7.11 crore as on March 31, 2018 (Provisional) compared to Rs. 5.64 crore as on March 31, 2017. The long term debt of Rs. 1.03 crore is from Directors. The gearing stood at 1.62 times in FY2018 (Provisional) compared to 1.37 times in FY2017. Interest Coverage Ratio stood at 2.59 times and DSCR at 1.01 times as on March 31, 2018 (Provisional).

- **Modest scale of operations**

SFPL has reported operating income of Rs. 21.49 crore for FY2018 (Provisional) which has grown from Rs. 17.47 crore in FY2017 and Rs. 16.03 crore in FY2016. This is mainly because of the increase in production. However, the operating margins have declined to 7.88 percent in FY2018 (Provisional) as against 9.94 percent in FY2017. This is mainly due to increase in manufacturing cost. Profit after Tax (PAT) margin also decreased to 1.25 percent in FY2018 (Provisional) from 1.36 percent in FY2017.

- **Intense competition in the automobile component segment**

The company is engaged in the manufacturing of automobile components which enjoys intense competition in the market. Due to the high competitive intensity, the pricing flexibility of the company is limited, further capping margins of the company. The ability of the company to maintain the margins while recording growth would remain a key rating sensitivity.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Sonia Forgings Private Limited to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on SFPL's rated facilities will remain 'Stable' over the medium term on account of experience of the management in the automobile component industry. The outlook may be revised to 'Positive' in case of more than expected growth while maintaining the margins. Conversely, the outlook may be revised to 'Negative' in case of adverse business scenario impacting the revenues or profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.49	17.47	16.03
EBITDA	Rs. Cr.	1.69	1.74	1.73
PAT	Rs. Cr.	0.27	0.24	0.25
EBITDA Margin	(%)	7.88	9.94	10.78
PAT Margin	(%)	1.25	1.36	1.59
ROCE	(%)	9.85	10.81	10.01
Total Debt/Tangible Net Worth	Times	1.62	1.37	1.98
PBDIT/Interest	Times	2.59	2.30	2.53
Total Debt/PBDIT	Times	3.93	3.03	4.21
Gross Current Assets (Days)	Days	87	107	169

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	6.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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