

Press Release

Soni Soya Products Limited

November 27, 2020

Rating Downgraded



Total Bank Facilities Rated*	Rs. 33.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.33.00 crore bank facilities of Soni Soya Products Limited (SSPL).

The revision in the rating is on account of irregularity in debt servicing, over drawl in account and delay in payment of major statutory dues cited by statutory auditor vide their resignation letter from audit services of SSPL uploaded on stock exchanges. Publication of audited results for the year ended in March 31, 2020 and half yearly results of September 30, 2020 are still awaited.

Indore based, SSPL was incorporated in 2014 as Soni Soya Products Private Limited and was reconstituted as a public limited company by issuing IPO in April 2018. It is engaged in the processing and trading of organic and non-genetically modified (Non-GMO) agricultural products such as Soya, Maize (Corn), Wheat, Flax Seeds, Mustard (Rapeseeds), Oil, Rice, Pulses, Herbs, Spices, and other grains. It has a production capacity of 60-70 tonnes per day located at Meghnagar, Madhya Pradesh. The company has a subsidiary in the United States of America (Soni Soya Products LLC).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter of SSPL, Mr. Dilip Kumar Soni (Managing Director) has an experience of more than two decades in the agro-commodity industry. Mr. Javed Ali (Full-time Director) has an experience of eight years in the industry. Being backed by the experience, it has been able to establish a long term relationship with its customers and suppliers.

Weaknesses

- **Irregularities and overdraws in debt servicing**

As per SSPL's letter to stock exchange, the company has given intimation about the resignation of its statutory auditor wherein the reasons for resignation, as provided by the statutory auditor to SSPL, mentions about irregularities and overdraws in loan account with bank and NBFCs owing to its poor liquidity. The company had not paid its major income tax liability for the financial year ended on March 31, 2019. Further, the company has again not paid/short paid its income tax liability, TDS liability and other outstanding for the year ended March 31, 2020 as cited by the statutory auditor. Further, the auditor has also stated that with above cited issues and lake of transactions, pending litigations and liquidity crises during the current period creates uncertainty into the affairs of the company which may affect the going concern status of the entity

as a part of the reason for the resignation of the statutory auditor from his services.

Rating sensitivity

Not applicable

Material Covenant

None

Liquidity position: Poor Liquidity

As per company's disclosure on the stock exchange, the statutory auditor has mentioned about liquidity crises in the company during the current pandemic situation and irregularities and overdraws with bank and NBFCs.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	214.76	72.33
PAT	Rs. Cr.	1.96	1.34
PAT Margin	(%)	0.91	1.85
Total Debt/Tangible Net Worth	Times	1.25	1.68
PBDIT/Interest	Times	2.66	3.07

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
December 27, 2019	Secured Overdraft	Long Term	12.00	ACUITE BB+/Stable (Reaffirmed)
	Bill discounting	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Long Term Facility	Long Term	16.00	ACUITE BB+/Stable (Reaffirmed)
June 24, 2019	Secured Overdraft	Long Term	12.00	ACUITE BB+/Stable (Reaffirmed)
	Proposed bank facility	Long Term	18.00	ACUITE BB+/Stable (Assigned)
November 26, 2018	Secured Overdraft	Long Term	9.50	ACUITE BB+/Stable (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00*	ACUITE D (Downgraded from ACUITE BB+/Stable)
Bill discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded from ACUITE A4+)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE D (Downgraded from ACUITE BB+/Stable)

*sublimit of packing credit for Rs. 6.00 crore and letter of credit for Rs.12.00 crore.

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About Acuité Ratings & Research:

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