

Press Release

Sommani Alucore India Private Limited

January 04, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.20 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 7.20 crore bank facilities of Sommani Alucore India Private Limited (SAPL). The outlook is '**Stable**'.

SAPL was incorporated on 16 October, 2017 and has its operations located in Ahmedabad (Gujarat). The company is expected to manufacture Aluminum Composite Panels and the commercial operations are expected to begin from April, 2019. The company is promoted by Mr. Pankaj Prajapati and Mr. Kamlesh Prajapati along with their father, Mr. Somabhai Prajapati.

The company has plans to do business in the states of Maharashtra, Gujarat and a few more. The expected installed capacity is 130 lakh sq. feet and average utilisation is expected to be 20 percent in the first year of operations. The management plans to utilise 5 percent incrementally with each passing year and currently have only 6 employees. They also plan to use photovoltaic plants for reducing power costs.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SAPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management:**

The management already has presence in other similar lines of business with Mr. Pankaj and Mr. Kamlesh having experience of around 15 years and their father, Mr. Somabhai Prajapati has experience of 40 years. These include businesses in trading, manufacturing and real estate. This acts as a strong support for the company in case of contingencies. Due to the experience, they have established relationships with possible future customers which gives them confidence for their forecasted sales.

Weaknesses

- **Nascent stage of operations and existing competition:**

The company was established in October 2016 and is engaged in the manufacturing of Aluminum Composite Panels. The company is yet to begin production and expects to do so by April 2019. The company plans to utilise higher capacity for higher sales. This will be a crucial rating sensitivity factor for the company. Further, the aluminum industry in the secondary segment is extremely fragmented with large number of players in both the organised and unorganised segments.

- **Project implementation risk:**

The company is yet to start production and any delay in the establishment of manufacturing facilities will delay projected sales even further. This could adversely impact debt repayment capabilities and liquidity of the company.

- **Off take risk:**

The company does not have any customers yet and has established its projections based on the market assessment, capacity utilisation and their established relationships with possible future customers. This poses a significant risk since the company might not be able to meet their forecasted sales, thereby impacting their debt servicing capabilities.

Outlook: Stable

Acuité believes that SAPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected capacity utilisation resulting in lower than expected revenues impacting the accruals and/or if the financial risk profile weakens, because of stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	0.00
EBITDA	Rs. Cr.	0.00
PAT	Rs. Cr.	0.00
EBITDA Margin	(%)	0.00
PAT Margin	(%)	0.00
ROCE	(%)	-3.51
Total Debt/Tangible Net Worth	Times	7.01
PBDIT/Interest	Times	-4.49
Total Debt/PBDIT	Times	-68.50
Gross Current Assets (Days)	Days	0

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>
- 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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE B / Stable

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About Acuité Ratings & Research:

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