

Press Release

Somani Ecobuild Products LLP

April 09, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 24.50 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. 24.50 crore bank facilities of SOMANI ECOBUILD PRODUCTS LLP (SELP). The outlook is '**Stable**'.

SELP was established in 2016 as a partnership firm by Mr. Vedang Vyas, Mr Vikram and Mrs. Varsha Somani. The firm is engaged in manufacturing of dry mix mortar for construction industry under the brand name of 'Magnicrete'. The manufacturing facility is located at kishangarh (Rajasthan). The commercial operations begin from March 2019.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The firm is led by Mr. Vedang Vyas, who have been in chemical and construction line of business for more than three decades. Acuité believes that the firm will benefit from established relationship of the partners with customers and suppliers operating in the construction industry.

Weaknesses

• Initial stage of operations

SELP commenced operations from March 2019. The operations are at initial stage and the firm will have to demonstrate optimal capacity utilisation so as to generate adequate cash flows to meet its maturing debt obligations. Because of early phase of operations, exposure to risks related to adequate ramp-up in sales remains critical and hence, key monitorable.

Liquidity Position:

The total project cost is ~Rs.35.17 crore. The promoters will be contributing ~Rs.15.00 crore and balance is financed through the bank. The principal repayment will commence from July 2019 with quarterly repayment obligations. The firm's ability to generate adequate cash flows to support its debt obligations of interest and principal will be a key rating sensitivity.

Outlook: Stable

Acuité believes that SELP will maintain 'Stable' business risk profile on account of the management's experience in the chemical and civil construction industry. The outlook may be revised to 'Positive' if the firm stabilises its operations on time to increase sales and cash accrual commensurate with its debt repayment obligations. The outlook may be revised to 'Negative' if there is delay in ramp-up of operations, low accrual, or large working capital requirement weakening financial risk profile, particularly liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.01	0.00
EBITDA	Rs. Cr.	0.01	-0.01
PAT	Rs. Cr.	0.00	0.00
EBITDA Margin	(%)	100.00	0.00
PAT Margin	(%)	69.05	0.00
ROCE	(%)	0.09	-0.55
Total Debt/Tangible Net Worth	Times	1.15	0.00
PBDIT/Interest	Times	0.00	0.00
Total Debt/PBDIT	Times	1038.09	-0.76
Gross Current Assets (Days)	Days	6882	0

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

None

Any other information

Not Applicable

Applicable Criteria

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

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	20.25	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE B / Stable

[^]LC of Rs. 4.00 crore as a sublimit within overall term loan limit.

Contacts

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About Acuité Ratings & Research:

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