

## Press Release

Som Autotech Private Limited

March 08, 2022



### Rating Upgraded and Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.22	ACUITE BBB-   Upgraded & Withdrawn	-
Bank Loan Ratings	1.42	-	ACUITE A3   Upgraded
Bank Loan Ratings	43.58	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	1.22	-	-

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE t ripple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B Plus**) and its short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 45.00 crore bank facilities of Som Autotech Private Limited (SAPL). The outlook is '**Stable**'.

Acuité has further upgraded & withdrawn its long-term rating to '**ACUITE BBB-**' (read as **ACUITE t ripple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B Plus**) on Rs. 1.22 crore bank facilities of Som Autotech Private Limited (SAPL).

Withdrawal is as per Acuite's policy and on the basis of request received from the client.

#### Rationale for rating upgrade

The upgrade in rating reflects the improvement in scale of operations in current financial year, improvement in operating margins and established track record of the company with reputed clientele base. However, the above mentioned strengths are partly offset by working capital intensive operations and high competition in the industry.

#### About Company

Som Autotech Pvt. Ltd. is an Aurangabad based privately held company incorporated in 2011. The group is engaged in manufacturing of aluminium die casting components for leading automotive OEMs and their ancillaries. It specializes in Die Casting auto parts by High pressure, Low pressure & Gravity die casting techniques.

#### Analytical Approach

#### Extent of Consolidation

- Full Consolidation

## **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the consolidated business and financial risk profiles of Som Autotech Private Limited and Som Autocast Private Limited owing to presence in similar line of business, common management and financial linkages between the entities.

## **Key Rating Drivers**

### **Strengths**

#### **>Experienced management, established record & reputed clientele**

Incorporated in 2011, Aurangabad based SAPL is engaged in manufacturing of aluminium die casting components and primarily caters to leading automotive OEMs and their ancillaries. The operations of the group are led by Mr. Anil Ramgopal Mali & Mr. Vishwanath Gopal Jalnapukar who possess more than three decades of experience in the aforementioned industry. The top management is ably supported by well experienced technical team. Also, SAPL caters to reputed clientele such as Bajaj Auto Limited, Varroc Engineering Private Limited and Dell'Orto India Private Limited, among others. The company has recorded a revenue of around Rs.174.26 crores till December 2021.

Acuité believes that the company will benefit from the experience of the management in the aforementioned industry in developing healthy relationships with its customers and suppliers.

#### **>Moderate Financial risk profile**

The financial risk profile of the company stood moderate marked by moderate net worth, stable gearing and stable debt protection metrics. The tangible net worth stood at Rs.33.55 crore as on 31 March, 2021 as against Rs.24.73 crore as on 31 March, 2020. The total debt of the company stood at Rs.45.82 crore includes Rs.19.43 crore of long term debt, Rs.3.36 crore unsecured loans from directors and Rs.15.09 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood at 1.37 times as on 31 March, 2021 as compared to 1.39 times as on 31 March, 2020. Interest Coverage Ratio stood at 3.65 times for FY2021 as against 3.92 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.90 times in FY2021 as against 1.31 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.30 times as on 31 March, 2021 as against 2.86 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times for FY2021.

### **Weaknesses**

#### **>Working Capital Intensive Operations**

The working capital operations of the company are intensive marked by GCA days of 119 days in FY2021 as against 72 days in FY2020. Also, the debtor days stood at 44 days in FY2021 as against 14 days in FY2020 which is in line with the average credit period allowed to customers of 30-60 days. However, the inventory days remain constant around 30 days for FY 2020 & FY 2021.

#### **>Operations in highly competitive and fragmented industry**

The group is engaged in manufacturing of aluminum die casting auto components which is a highly competitive and fragmented industry marked by the presence of large number of small players which exposes SAPL to pricing pressure. Also, SAPL caters to automotive original equipment manufacturers (OEMs) and their ancillaries which means its operations are affected by the demand in the auto sector.

## **Rating Sensitivities**

- Improving the scale of operations while maintaining the profitability margins.
- Substantial deterioration in working capital operations.
- Elongation in working capital cycle.

## **Material Covenants**

None.

### Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.9.38-12.04 Crore from FY 2019-2021 against the maturing debt obligations of Rs.4.15-7.94 crores during the same tenure. Also, the company has a sufficient cash accruals of Rs 19.44-22.48 crores over the medium term against the debt obligation of Rs 6.35-7.4 crore. The working capital management of the company is intensive marked by GCA days of 119 days in FY2021 as against 72 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.08 crore as on March 31, 2021. The current ratio stands at 1.01 times as on March 31, 2021. The average bank limit utilization for the past 9 months ending December 2021 is ~ 57.34 percent.

### Outlook: Stable

Acuité believes that the outlook on Som Autotech Private Limited facilities will remain 'Stable' over the medium term on account of experienced management & comfortable financial risk profile of the group. The outlook may be revised to 'Positive' if the group achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	173.67	184.64
PAT	Rs. Cr.	3.44	1.87
PAT Margin	(%)	1.98	1.01
Total Debt/Tangible Net Worth	Times	1.37	1.39
PBDIT/Interest	Times	3.65	3.92

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

None.

### Any Other Information

None.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Term Loan	Long Term	1.33	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.40	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.78	ACUITE BB+   Stable (Assigned)

24 Mar 2021	Proposed Bank Facility	Long Term	0.67	ACUITE BB+   Stable (Assigned)
	Proposed Term Loan	Long Term	4.06	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	3.95	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.25	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.15	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.10	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	1.01	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	1.42	ACUITE A4+ (Assigned)
	Term Loan	Long Term	0.44	ACUITE BB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	4.85	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.09	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	15.50	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Saraswat Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.42	ACUITE A3   Upgraded
Saraswat Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE BBB-   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.03	ACUITE BBB-   Stable   Upgraded
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Term Loan	Not available	10.25	03-10-2026	8.88	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	03-10-2026	3.38	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	Not available	0.01	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	03-10-2023	0.58	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.50	05-10-2023	0.82	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	11-10-2023	2.59	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	04-10-2024	0.11	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	06-10-2022	0.06	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	02-10-2023	0.22	ACUITE BBB-   Stable   Upgraded
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	02-10-2023	0.14	ACUITE BBB-   Stable   Upgraded
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Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	08-10-2021	0.78	BBB-   Upgraded & Withdrawn
Saraswat Bank	Not Applicable	Term Loan	Not available	9.25	08-10-2021	0.44	ACUITE BBB-   Upgraded & Withdrawn
Saraswat Bank	Not Applicable	Working Capital Term Loan	Not available	9.50	03-10-2024	4.26	ACUITE BBB-   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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