

Press Release
SOM AUTOTECH PRIVATE LIMITED
July 06, 2023

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.00	ACUITE BBB- Negative Assigned	-
Bank Loan Ratings	50.08	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	3.00	-	ACUITE A3 Assigned
Bank Loan Ratings	1.42	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	91.50	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and its short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 51.50 crore bank facilities of Som Autotech Private Limited (SAPL). The outlook is revised from 'Stable' to 'Negative'.

Further Acuite has assigned its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and its short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 40.00 crore bank facilities of Som Autotech Private Limited (SAPL). The outlook is 'Negative'.

Rationale for reaffirmation and revision in outlook

The revision in outlook is on account of deterioration in the financial risk profile of the Group led by the unexpected incremental additional debt availed in FY23 and FY24 for setting up a new plant in Dahegaon. The gearing level of the Group increased and stood at 1.24 times as on March 31, 2023(Est). Further the revision in the outlook also factors in the decline in the profitability margins albeit stable operating income of the Group. The Group's revenue stood at Rs.242.11 crore in FY23(Est) as against Rs.238.35 crore in FY22 and the EBITDA margin declined and stood at 6.82 percent in FY2023(Est) as against 8.06 percent in FY2022 due to increase in the raw material costs. The rating reaffirmation factors in the efficient working capital management. Acuite believes that the company's ability to grow its scale of operations from the new unit while improving the capital structure remains a key rating indicator.

About Company

Som Autotech Private Limited is an Aurangabad based privately held company incorporated in 2011. The directors of the Group are Mr. Vishwanath Jalnapurkar, Mr. Anil Mali and Mrs. Sanjivani Mali. 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.

About the Group

The Som 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 (SAPL) and Som Autocast Private Limited, together known as Som Group (SG). The consolidation is owing to the 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 and Dell'Orto India Private Limited, among others. 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.

Working capital efficient operations

The working capital efficiency of the Group recorded an improvement in FY2022, as reflected by Gross Current Assets (GCA) of 59 days as on March 31, 2022, as against 116 days as on March 31, 2021. The GCA days stood at 77 days as on March 31, 2023(Est). The improvement in GCA days is primarily driven by improvement in collection from debtors and receipt of subsidy from the authorities. The debtor days stood at 21 days as on March 31, 2022, as against 44 days as on March 31, 2021. The debtors days stood at 30 days as on March 31, 2023(Est). Average credit period allowed to the customers are around 30 days. The inventory holding days stood at 24 days as on March 31, 2022, as against 30 days as on March 31, 2021. The inventory days stood at 25 days as on March 31, 2023(Est). The average inventory holding period of the group is around 15-20 days. The group receives the production plan from its customers at the start of the year enabling the company to plan the inventory accordingly. The creditors days stood at 40 days as on March 31, 2022, as against 74 days as on March 31, 2021. The creditors days stood at 35 days as on March 31, 2023(Est). Average credit period received from the suppliers is around 30 days. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is ~64 percent for 6 months ended as on May'2023. Acuité believes that the working capital operations of the group will be key monitorable in medium term.

Weaknesses

Average financial risk profile

The group's financial risk profile is average marked by its moderate net worth and moderate gearing and debt protection measures. The tangible net worth of the group stood at Rs. 39.75 crores as on March 31, 2022, as against Rs. 30.66 crore as on March 31, 2021. The tangible net worth of the group stood at Rs. 46.10 crores as on March 31, 2023(Est). The

networth includes industrial promotion subsidy of Rs.17.95 crore. The group's gearing stood at 0.86 times as on March 31, 2022, as against 1.46 times in the March 31, 2021. The Group's gearing increased and stood at 1.24 as on March 31, 2023(Est) due to increase in the debt levels of the Group. The total debt of Rs.34.19 crore as on March 31, 2022, consists of long-term borrowings of Rs.13.12 crore, unsecured loans of Rs.2.20 crore and short-term debt obligations of Rs.9.80 crore. The group has added a term loan of Rs.2.30 crore in FY22. The group has done a capex of ~Rs.19 crore in FY22 which was funded through the term loan of Rs.2.30 crore and the balance was funded through the net cash accruals. Further the group has taken a term loan of Rs.12 crore in FY23 which is used for further addition of the machineries in the Bidkin plant. The Group has taken a loan of ~Rs.29 crore for setting up a new suspension plant in Dahegaon. The disbursement is done partially in FY23 and the rest in FY24. The interest coverage ratio stood at 6.19 times in FY2022 as against 3.65 times in the previous year 2021. The DSCR stood at 1.48 times in FY2022 as against 1.90 times in FY2021. The DSCR stood at 1.13 times in FY2023(Est). Acuité believes that the group's ability to yield benefits in the form of improved operating performance out of the continuous capex undertaken while maintaining its capital structure will remain a key rating monitorable.

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.
Further deterioration in the financial risk profile.
Elongation in working capital cycle

Material Covenants

None

Liquidity position: Adequate

The group's liquidity profile is adequate marked by healthy net cash accruals against maturing debt obligations. The group generated cash accruals of Rs.13.20 crores in FY22 as against debt obligations of Rs.7.94 crore for the same period. The cash accruals stood at Rs.10.87 crore in FY2023(Est). The cash accruals of the company are estimated to remain in the range of around Rs.14.46-18.60 crore during FY2024-25 against repayment obligations ranging from Rs.6.33-11.35 crore for the same period. The average utilisation of bank facilities is ~64 percent for 6 months ended as on May 2023. The group maintains unencumbered cash and bank balances of Rs.0.01 crore as on March 31, 2022. The current ratio stood at 0.82 times as on March 31, 2022.

Outlook:Negative

Acuite believes that Som Autotech Private Limited facilities will maintain a 'negative' outlook on account of deterioration in the financial risk profile of the Group from the last rating review. The rating may be downgraded in case of further deterioration in financial risk profile. The outlook may be revised to 'Stable' in case of sustained improvement in revenues and profitability margins by the Group while maintaining the financial risk profile.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	238.35	173.67
PAT	Rs. Cr.	9.09	3.44
PAT Margin	(%)	3.81	1.98
Total Debt/Tangible Net Worth	Times	0.86	1.46
PBDIT/Interest	Times	6.19	3.65

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 May 2023	Term Loan	Long Term	6.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.05	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.26	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.19	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.19	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.42	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.37	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.89	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.74	ACUITE BBB- Stable (Reaffirmed)
28 Mar 2022	Term Loan	Long Term	8.56	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.34	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.26	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.25	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.10	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.05	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.42	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.19	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.98	ACUITE BBB- Stable (Reaffirmed)
		Long		

	Term Loan	Term	0.12	ACUITE BBB- Stable (Reaffirmed)
08 Mar 2022	Term Loan	Long Term	0.22	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	8.88	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bank Guarantee	Short Term	1.42	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	3.38	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	2.59	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Bank Facility	Long Term	7.03	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.78	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.06	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.01	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.58	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Working Capital Term Loan	Long Term	4.26	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.82	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.44	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.14	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	15.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.11	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
24 Mar 2021	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)
	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)

	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Saraswat Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.42	ACUITE A3 Reaffirmed
Saraswat Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3 Assigned
Saraswat Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB- Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.14	ACUITE BBB- Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.91	ACUITE BBB- Negative Assigned
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.66	ACUITE BBB- Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.48	ACUITE BBB- Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.04	ACUITE BBB- Negative Reaffirmed Stable to Negative
								ACUITE BBB-

Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.23	Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.27	ACUITE BBB- Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE BBB- Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.85	ACUITE BBB- Negative Reaffirmed Stable to Negative
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.32	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.97	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.67	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.12	ACUITE BBB- Negative Assigned
								ACUITE BBB-

Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.25	Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.27	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.97	ACUITE BBB- Negative Assigned
Saraswat Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.91	ACUITE BBB- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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