

## Press Release

### Somochem India Private Limited (SIPL)

17 July, 2017

### Rating Assigned



|                                     |             |
|-------------------------------------|-------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 7.00 Cr |
| <b>Short Term Rating</b>            | SMERA A4    |

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.00 crore bank facilities of Somochem India Private Limited (SIPL).

SIPL, is a Mumbai-based company, incorporated in 1996 under the directorship of Mr. R. Mohinani, Mr. S Mohinani and Mr. Uttam Tulsiani. The company is part of the Mohinani Group, Ghana and is engaged in the export of capital equipment - plant and machinery, electricals, spares & consumables, adhesives, moulds among others. The company generates around 60 percent revenue from its clientele in Ghana, Africa and the balance 40 per cent from sales to the Mohinani Group. The day-to-day operations are led by Mr. Uttam Tulsiani, Mr.Vijay Kavishwar and Mr. Dhiren Vaidya.

### List of key rating drivers and their detailed description

#### Strengths

##### Experienced management

The company is led by Mr. Uttam Tulsiani who possesses experience of over two decades in the trading business.

#### Weaknesses

##### Modest scale of operations with consistent decline in revenues

The company has modest scale of operations with declining revenue trend of Rs.16.95 crore in FY2017 (provisional) from Rs.20.90 crore in FY2016 and Rs.28.49 crore in FY2015. The revenues have declined mainly on account of fall in orders due to competition faced from players of countries like Korea and China.

##### Low profitability

The operating margins stood low at 1.67 per cent in FY2017 as against 1.59 per cent in FY2016 mainly due to the trading nature of business. The net profits of Rs.0.34 crore are largely supported by non-operating income of Rs.0.40 crore in FY2017.

### **Leveraged capital structure**

The company has leveraged capital structure marked by low networth of Rs. 3.87 crore and moderately high gearing of 1.51 times as on 31 March, 2017 (Provisional).

### **Working capital intensive operations**

The Gross Current Asset stood high at 264 days in FY2017 compared to 206 days in FY2016. It has increased mainly on account of high debtors of 141 days in FY2017 compared to 128 days in FY2016 owing to delay in receivables from group companies. The inventory also increased to 82 days in FY2017 compared to 48 days in FY2016 owing to receipt of year end orders.

**Analytical approach:** SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

### **Applicable Criteria**

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

### **About the Rated Entity**

For FY2016-17 (Provisional), SIPL reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.16.95 crore, compared to PAT of Rs.0.19 crore on operating income of Rs.20.90 crore in FY2015-16.

**Status of non-cooperation with previous CRA (if applicable):** CRISIL in the press release dated June 12, 2017 has classified the rating of Somochem India Private Limited as 'non-co-operative' and has stated the following "Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Somochem India Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Somochem India Private Limited is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL B' category or lower. Based on the last available information, CRISIL has downgraded the long term rating to 'CRISIL B/Stable and reaffirmed short term rating at CRISIL A4'."

**Any other information:** Not Applicable

**Rating History for the last three years:**

| Name of Instrument /Facilities | FY2017 |                    |                     | FY2016 |        | FY2015 |        | FY2014 |        |
|--------------------------------|--------|--------------------|---------------------|--------|--------|--------|--------|--------|--------|
|                                | Scale  | Amount (Rs. Crore) | Rating with Outlook | Date   | Rating | Date   | Rating | Date   | Rating |
| Export Packing Credit**        | ST     | 3.00               | SMERA A4 (Assigned) | -      | -      | -      | -      | -      | -      |
| Foreign Bill Purchase**        | ST     | 3.00               | SMERA A4 (Assigned) | -      | -      | -      | -      | -      | -      |
| Letter of Credit               | ST     | 1.00               | SMERA A4 (Assigned) | -      | -      | -      | -      | -      | -      |

\*\*100 per cent interchangeability from PSC/FBP to EPC

**\*Annexure – Details of instruments rated:**

| Name of the Facilities  | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/ Outlook    |
|-------------------------|------------------|-------------|---------------|-------------------------------|---------------------|
| Export Packing Credit** | NA               | NA          | NA            | 3.00                          | SMERA A4 (Assigned) |
| Foreign Bill Purchase** | NA               | NA          | NA            | 3.00                          | SMERA A4 (Assigned) |
| Letter of Credit        | NA               | NA          | NA            | 1.00                          | SMERA A4 (Assigned) |

\*\*100 per cent interchangeability from PSC/FBP to EPC

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
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## ABOUT SMERA

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