

Press Release

Somochem India Private Limited

October 04, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 7.00 crore bank facilities of Somochem India Private Limited (SIPL).

SIPL is a division of Mohinani Group of Companies promoted by Mr. R. Mohinani. The company was incorporated in 1996 as a support function for the group company's in-house requirements of capital equipment like plant, machinery, electricals, spares & consumables, adhesives, moulds. Around 40 percent of the revenue is generated from sales to Mohinani Group and 60 percent to other customers in Ghana (Africa).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Somochem India Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced management**

The company was incorporated by promoters Mr. R. Mohinani and Mr. S Mohinani. However, the company is managed by Mr. Uttam Tulisiani who has an experience of over two decades in trading business.

- **Improvement in margins**

The operating margins improved to 5.92 percent in FY2018(Provisional) as against 1.53 percent in FY2017 mainly due to recovery of bad debts amounting to Rs.0.68 crore. Thereby, the profits after tax margins improved to 6.38 percent in FY2018 (Provisional) as against 2.30 percent in FY2017.

Weaknesses

- **Moderate working capital cycle**

The Gross Current Assets (GCA) stood at 180 days in FY2018(Provisional) compared to 261 days in FY2017. It has decreased mainly on account of comfortable inventory of 3 days in FY2018 (Provisional) when compared to 82 days in FY2017. Such high inventory days in FY2017 is owed to receipt of year end orders.

- **Small scale of operations**

The company has small scale of operations with revenues of Rs.15.36 crore in FY2018 (provisional) as against Rs.16.98 crore in FY2017. The revenues have declined mainly on account of reduction in the orders received due to competition faced from other countries like Korea and China.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by modest net worth of Rs.4.90 crore and moderate gearing of 0.57 times as on March 31, 2018 (provisional). The interest coverage ratio stood healthy at 8.54 times in FY2018 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.36	16.98	20.90
EBITDA	Rs. Cr.	0.91	0.26	0.33
PAT	Rs. Cr.	0.98	0.39	0.19
EBITDA Margin	(%)	5.92	1.53	1.59
PAT Margin	(%)	6.38	2.30	0.89
ROCE	(%)	13.99	8.87	7.25
Total Debt/Tangible Net Worth	Times	0.57	1.49	1.39
PBDIT/Interest	Times	8.54	3.47	1.98
Total Debt/PBDIT	Times	2.20	7.04	6.45
Gross Current Assets (Days)	Days	180	261	206

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

CRISIL has been consistently following up with Somochem India Private Limited (SIPL) for obtaining information through letters and emails dated February 28, 2018 and August 31, 2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jul-2017	Export Packing Credit**	Short Term	3.00	ACUITE A4
	Foreign Bill Purchase**	Short Term	3.00	ACUITE A4
	Letter of credit	Short Term	1.00	ACUITE A4

**100 percent 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. Cr.)	Ratings/Outlook
Export Packing Credit**	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4
Foreign Bill Purchase**	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

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About Acuité Ratings & Research:

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