

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

Acuite 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

Acuite 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

**100 percent interchangeability from PSC/FBP to EPC

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Tel: 022-67141111 aditya.gupta@acuite.in Disha Parmar Analyst - Rating Operations Tel: 022-67141120 disha.parmar@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.