

Sohan Coppertech Private Limited

February 26, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	10.50 (Rs. Ten Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information including Monthly No Default Statement from **Sohan Coppertech Private Limited (SCPL)** to monitor the rating vide e-mail communications/letters dated December 31, 2020, January 6, 2021, January 29, 2021, February 05, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, SCPL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. The rating on SCPL's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in the ratings to the bank facilities of SCPL factors in deterioration in the financial risk profile of the company marked by decline in scale of operations along with net losses registered and weakening of solvency position during the year FY20(April 01,2019-March 31,2020). The ratings further continue to remain constrained on account of susceptibility of profitability margins to volatile copper prices and stretched liquidity position.

The ratings however, continue to derive strength from the long operational track record of the company, extensive experience of the promoters and its association with reputed clientele.

Detailed description of the key rating drivers

At the time of last rating on November 27, 2019 the following were the rating strengths and weaknesses (Updated with latest available information):

Key Rating Weaknesses

Decline in scale of operations with net losses registered: The scale of operations of SCPL declined by 44.03% on y-o-y basis for the year ended March 31, 2020, as reflected by revenue amounting to Rs.18.47 crore for FY20 and net worth base of Rs.4.41 crore as on March 31, 2020 (PY: Rs.33 crore and Rs.5.39 crore, respectively), hence limiting its financial flexibility and restricting it from gaining benefit of economies of scale. The fall in revenue during the year was attributable to reduced inflow of orders from key end-user industries. Further, the profitability margins of SCPL declined as against previous year in FY20. PBILDT margin stood at 1.84% in FY20 (5.53% in FY19). Further, the company registered net loss and cash loss of Rs. 0.98 crore and Rs. 0.57 crore respectively in FY20.

Leveraged capital structure and weak debt service coverage indicators: The capital structure of SCPL deteriorated on account of net losses during the year FY20 leading to net worth erosion. overall gearing of the company stood at 2.53x as on March 31,2020(P.Y.2.24x). Further, owing to leveraged capital structure and net losses during the year, the debt service coverage indicators also deteriorated.

Susceptibility of profitability margins to volatile copper prices: The major raw materials used in manufacturing the products by SCPL are copper cathodes , price of which are generally volatile in nature and governed by prevailing market sentiments. The same has rendered profitability margins vulnerable to change in the raw material prices.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Presence of the company in highly fragmented and competitive industry: SCPL operates in a fragmented and unorganized market for copper products with presence of large number of small sized players as the industry is characterized by low entry barriers. Also, the presence of large players with established marketing and distribution network results in intense competition in the industry.

Key Rating Strengths

Established presence with technically experienced promoters: SCPL is promoted by Mr. Rohan Chakkarwar (Managing Director) and Mr. Deelip Chakkarwar (Director). The long standing average industry experience of more than three decades has helped the directors to gain adequate acumen about the business and maintain strong relationship with the customers and suppliers. The promoters are also engaged in managing other group entities, Sohan Healthcare Private Limited and Shrinivasa Cattle Feeds Private Limited, which are engaged in manufacturing of pharmaceutical products and extraction of edible and non-edible oils, respectively, since 1993.

Reputed clientele: SCPL's major customers include Crompton Greaves Limited, Siemens Limited, CTR Manufacturing Industries Limited, Toshiba India, Larsen & Toubro Limited and others. SCPL has long-standing relationship with these players, who possess respectable position in their respective industries. The company has hence, been able to get repeat orders from these clients.

Liquidity: Stretched

Liquidity is stretched as indicated by cash losses registered in FY20 and cash and bank balance of Rs.0.12 crore as on March 31,2020. The operating cycle of SCPL deteriorated from 147 days in FY19 to 243 days in FY20, with funds being blocked in receivables and inventory. The current ratio stood at 1.93x as on March 31,2020.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CAREs Policy on Short term Criteria](#)

[CARE's Methodology for Manufacturing Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

SCPL was incorporated in 2009 and is based out of Nanded (Maharashtra). The company is a part of the Sohan Group of companies, which has business interests spanning healthcare, poultry and copper. SCPL is engaged in manufacturing of copper products at its manufacturing facility located at Nanded (Maharashtra), having an installed capacity of 2,000 Metric Tonnes Per Annum (MTPA).

Brief Financials (Rs. crore)	FY19	FY20
	12M, (Audited)	12M, (Audited)
Total operating income	33.00	18.47
PBILDT	1.83	0.34
PAT	0.95	-0.57
Overall gearing (times)	2.24	2.53
Interest coverage (times)	2.05	0.41

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	8.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	8.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (27-Nov-19)	1)CARE BB; Stable (07-Feb-19) 2)CARE BB; Stable (24-Jul-18)	1)CARE BB; Stable (25-Jan-18)
2.	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (27-Nov-19)	1)CARE A4 (07-Feb-19) 2)CARE A4 (24-Jul-18)	-

*Issuer did not cooperate; Based on best available information

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-ILC/FLC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Group Head Name: Ms. Prateechee Misra
Group Head Contact no.: 020 - 40009026
Group Head Email ID: prateechee.misra@careratings.com

Business Development Contact

Name: Mr. Aakash Jain
Contact no. : 020 - 40009090
Email ID: aakash.jain@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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