

Somi Conveyor Beltings Limited

March 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term / Short Term Bank Facilities	20.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	26.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	46.00 (Rs. Forty-Six Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Somi Conveyor Beltings Limited (SCBL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating of SCBL's bank facilities will now be denoted as **CARE BB+; 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(s).

The ratings continue to remain constrained due to its modest scale of operations in a competitive and fragmented conveyor belt industry, moderate debt coverage indicators and stretched liquidity position during FY21 (FY; refers to the period April 1 to March 31). The ratings, also takes into account volatility associated with raw material prices and foreign exchange rate.

The ratings, however, continue to derive strength from wide experience of the promoters in the industry with established track record of operations, diversified and reputed customers base, moderate profitability margins and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on September 17, 2021 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Modest scale of operations in highly competitive industry

The scale of operations of SCBL continued to remain modest at Rs.47.03 crore during FY21 and in line with previous year's TOI of Rs.46.72 crore. The conveyor belt industry is highly competitive with presence of few large players and many small players in the industry. The company faces stiff competition from well established players both in domestic market and international market.

Moderate debt coverage indicators

The debt coverage indicators of the company deteriorated as marked by total debt to GCA (TDGCA) of 10.44 years as on March 31, 2021 as against 6.83 years as on March 31, 2020 due to increase in total debt level led by increase in the amount of LC backed creditors. Further, interest coverage stood moderate at 2.02 times in FY21 which deteriorated from 2.31 times in FY20 on account of marginal decline in PBILDT level.

Susceptibility of profitability to volatility in raw material prices and foreign currency fluctuation risk

Majority of the raw materials required by SCBL are highly volatile and hence SCBL's profitability is susceptible to sudden changes in prices of raw material. Further, SCBL is exposed to foreign exchange fluctuation risk as the company also exports the products. SCBL keeps its export receivables un-hedged which exposes it to foreign currency fluctuation risk.

Key Rating Strengths

Experienced management team

Mr. O. P. Bhansali, Chairman & Managing Director, who have more than 30 years of experience in the conveyor belt industry looks after overall business activities who is assisted by his sons Mr. Vimal Bhansali and Mr. Gaurav Bhansali having healthy experience in same line of business. Further, top management is assisted by senior level management team and functional heads of Marketing, Finance, Operations, Commercial and Administration.

Established track record of operations with diversified and reputed customer base

The company has established its track record of operations in the industry being present more than two decades. It has established customer and supplier base in the market. The company mainly gets the orders from reputed customers namely Bharat Heavy Electricals Limited (BHEL), Rajasthan Rajya Vidyut Utpadan Nigam Ltd (RRVUNL), Maharashtra State Power Generation Company (MAHAGENCO), Steel Authority of India Limited (SAIL), National Thermal Power Corporation Limited (NTPC), National Mineral Development Corporation (NMDC) as well as from cement manufacturer and metal industry.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate profitability position

During FY21, the profitability position of SCBL as marked by PBILDT margin declined however continued to remain moderate at 14.20% during FY21 as compared to 16.44% during FY20 due to increase in raw material costs (Nylon Fabric) incurred during the year - due to spread of worldwide COVID19 pandemic. Resultantly, PAT margin also declined but continued to remain moderate at 3.75% during FY21 as against 5.20% reported during FY20.

Comfortable capital structure

The capital structure of the company stood comfortable with an overall gearing of 0.53 times as on March 31, 2021, marginally deteriorated from 0.47 times as on March 31, 2020 owing to increase in the amount of LC backed creditors from Rs.5.18 crore as on March 31, 2020 to Rs.10.86 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

About the entity

Jodhpur (Rajasthan) based Somi Conveyor Beltings Limited (SCBL) was incorporated in 2000 and is engaged in the manufacturing of rubber and steel cord conveyor belts. The company manufactures various grades of conveyor belts used for industrial applications including material handling and transportation in various industries like mining, power, cement, fertilizer, steel and sugar among others. SCBL caters to the domestic as well as the export market under the brand name 'SOMIFLEX'. The company has two plants located at Sangaria and Tanwara, Jodhpur certified as ISO 9001: 2008 for quality management systems.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	46.72	47.03	40.11
PBILDT	7.68	6.68	4.59
PAT	2.43	1.76	1.12
Overall gearing (times)	0.47	0.53	NA
Interest coverage (times)	2.31	2.02	1.93

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

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

Bank lender details: Please refer Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	20.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC		-	-	-	8.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	18.00	CARE A4+; ISSUER NOT COOPERATING*

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ST-Cash Credit	LT/ST*	20.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BB+; Stable / CARE A4+ (17-Sep-21)	1)CARE BB+; Stable / CARE A4+ (30-Mar-21) 2)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (29-Apr-20)	1)CARE BB+; Stable / CARE A4+ (24-Jul-19)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (31-Dec-18)
2	Non-fund-based - ST-ILC/FLC	ST	8.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A4+ (17-Sep-21)	1)CARE A4+ (30-Mar-21) 2)CARE A4+; ISSUER NOT COOPERATING* (29-Apr-20)	1)CARE A4+ (24-Jul-19)	1)CARE A4+; ISSUER NOT COOPERATING* (31-Dec-18)
3	Non-fund-based - ST-Bank Guarantee	ST	18.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A4+ (17-Sep-21)	1)CARE A4+ (30-Mar-21) 2)CARE A4+; ISSUER NOT COOPERATING* (29-Apr-20)	1)CARE A4+ (24-Jul-19)	1)CARE A4+; ISSUER NOT COOPERATING* (31-Dec-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-

Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-ILC/FLC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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