

Soham Mineral

September 18, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and withdrawn
Total facilities	-		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reviewed the ratings assigned to the bank facilities of Soham Mineral (SOMI) to CARE B+; Stable (Single B Plus; Outlook: Stable) and has simultaneously withdrawn it, with immediate effect. The rating assigned to the bank facilities of SOMI continue to remain constrained on account of modest scale of operations and thin profitability, moderate capital structure and moderate debt coverage indicators during FY20 (Provisional, refers to April 01 to March 31). Further, the rating remains constrained on account of its partnership nature of constitution, presence in a highly competitive ceramic industry and fortunes linked to demand from real estate sector. The rating, however, derives strength from vast experience of the partners in ceramic industry along with location advantage with its presence in ceramic hub.

The ratings withdrawal is at the request of SOMI and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE

Detailed description of the key rating drivers**Key Rating Weaknesses****Modest scale of operations with thin profitability**

The scale of operation of SOMI remained modest being FY20 first full year of operations as marked by Total Operating income (TOI) of Rs.24.01 crore during FY20 (Provisional, refers to period April 01 to March 31) as against Rs.12.14 crore during 8MFY19. Further, profit margins declined and remained thin as marked by PBILDT margin at 5.28% during FY20 as against 9.33% in FY19, owing to increase in material costs. However, in absolute terms, operating profits have increased to Rs.1.27 crore during FY20 as against Rs.1.13 crore during FY19. Further, the entity has registered thin PAT margin of 0.51% in FY20 as against 0.20% during FY19 (A).

Moderate capital structure and debt coverage indicators

As on March 31, 2020, capital structure improved and remained moderate as marked by overall gearing ratio of 1.00 times as against 1.26 times as on March 31, 2019. Debt coverage indicators of SOMI improved and remained moderate as marked by total debt to GCA of 7.12 times as on March 31, 2020 (5.21 times as on March 31, 2019) on account of decrease in total debt in FY20 with scheduled repayment of term loan. SOMI has availed for moratorium for payment of installment of term loan and interest in term loan and cash credit facility for period of 6 months from March 2020 to August 2020.

Partnership nature of constitution

SOMI being a partnership firm is exposed to inherent risk of the partners' capital being withdrawn at the time of contingency and also limits the ability to raise the capital. The partner may withdraw capital from the business as when it is required, which may put pressure on the capital structure of the firm.

Presence in a highly competitive industry and fortunes linked to demand from cyclical real estate sector

SOMI operates in a highly competitive segment of the ceramic industry marked by low entry barriers, presence of large number of organized and unorganized players with capex planned by existing players in the industry as well as new entrants. This situation is likely to increase the level of competition which is expected to put pressure on profitability of the manufacturers. Further, demand of clay is directly linked to demand in ceramic tiles which are again linked to demand from cyclical real estate sector, which is fragmented and cyclical industry. Thus any negative impact on real estate industry adversely affects the prospects of ceramic tiles industry as well as the firm.

Key Rating Strengths**Experienced partners**

Partners of SOMI, Mr. Umeshbhai Bhatiya, Mr. Jayantilal Bhatia, Mr. Becharbhai Bhatiya and Mr. Mr. Kantilal Vidja have

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

more than decade of experience in ceramic industry. Partner Mr. Minesh Jakasaniya has experience in financial department and looks after finance and legal department. Mr. Vishal Bhatiya looks after sales and marketing department. The overall management of the firm is competent to manage the day to day operations of the firm.

Located in the ceramic hub with easy access to raw material, fuel and labour

SOMI's manufacturing facilities are located in Morbi (Gujarat) which is the third largest ceramic clusters of world. Over 80% of total ceramic tiles production in India comes from the Morbi cluster that houses more than 600 units engaged in manufacturing of wall tiles, vitrified tiles, floor tiles, sanitary wares, roofing tiles and others such products. Furthermore, contractors and skilled labour are also easily available by virtue of it being situated in the ceramic cluster belt in India. The product of SOMI, ceramic body clay which is main raw-material for ceramic tiles will have ample requirement in Morbi region of Gujarat.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

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

[Rating Methodologies-Manufacturing Companies](#)

[CARE's default recognition policy](#)

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

[Financial Ratios-Non Financial Sector](#)

About the Company

Soham Mineral (SOMI) was established in January 2018 as a partnership firm by Mr. Umeshbhai Bhatiya, Mr. Jayantilal Bhatia, Mr. Mineshbhai Jakasaniya, Mr. Vishal Bhatiya, Mr. Becharbhai Bhatiya and Mr. Mr. Kantilal Vidja. SOMI commenced its operations from July 2018 onwards. The firm was established to manufacture ceramic body clay which is basic raw material for manufacturing ceramic tiles. SOMI completed its green field project and operates from its sole manufacturing facility at Morbi, Gujarat with installed capacity of 1,35,000 Metric tons per annum as on March 31, 2019.

Brief Financials (Rs. crore)	8MFY19 (A)	FY20 (Prov.)
Total Operating Income	12.14	24.01
PBILDIT	1.13	1.27
PAT	0.02	0.12
Overall Gearing (times)	1.26	1.00
Interest coverage (times)	2.90	2.39

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for 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-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

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-Term Loan	LT	-	-	-	1)CARE B+; Stable (16-Mar-20)	1)CARE B+; Stable (14-Mar-19)	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (16-Mar-20)	1)CARE B+; Stable (14-Mar-19)	-

Annexure 3: 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.	Fund-based - LT-Term Loan	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

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Ms. Shachee Vyas

Contact no.: 079-40265663

Email ID: shachee.tripathi@careratings.com

Business Development Contact

Name: Mr. Deepak Prajapati

Contact no. : (079) 40265656

Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

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