Somi Conveyor Beltings Limited

December 31, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term/Short -Term Bank Facilities	18.00	**CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable/A Four Plus; ISSUER NOT COOPERATING*)**	Issuer not cooperating, revised from CARE BBB; Negative/CARE A3+ (Triple B; Outlook:Negative/A Three Plus) on the basis of best available information
Short -Term Bank Facilities	20.00	**CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)**	Issuer not cooperating; revised from CARE A3+ (A Three Plus) on the basis of best available information
Total	**38.00 (Rupees Thirty-eight 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 agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on SCBL's bank facilities will now be denoted as **CARE BB+; Stable/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 to the bank facilities of Somi Conveyor Beltings Limited (SCBL) have been revised on account of deterioration of its liquidity position with elongated operating cycle.

The ratings, further, continue to remain constrained on account of volatility associated with raw material prices and its operations in a competitive and fragmented industry.

The rating, however, continue to derive strength from wide experience of the promoters in the conveyor belt industry with established track record of operations, diversified and reputed customers base with moderate order book and its financial risk profile marked by moderate profitability and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on March 19, 2018 the following were the rating strengths and weaknesses (*updated for the information available from client)*

Key Rating Weakness

Working capital intensive nature of operations

The company is continuously securing orders which are of long duration which takes around 2 to 3 years time to execute the projects. As per the policy matter, these contracts are fixed price contracts and no price escalation is applicable and the company purchases and keeps the inventories for these types of contracts from the date of start of these contracts, which resulted in increased level of inventory continuously.

Further, increase of debtors level is also related to long term project contracts wherein the part of payment terms are related to commissioning and installation(10-15 % of total sales value) which generally takes 6-12 months time. Therefore, it resulted in elongated operating cycle which further deteriorated in FY18 and stood at 323 days as against 290 days in FY17. Due to higher investment in the inventory, the current ratio remained moderate at 1.57 times as on March 31, 2018, however, quick ratio remained below unity at 0.63 times as on March 31, 2018. Further, the average

[1]*Complete 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* utilisation of working capital limits remained at 97.29% and non-fund based limit at 85.21% during last 12 months ended November, 2018. Further the cash and bank balance stood at 2.87 crore as on March 31, 2018.

Marginal growth in Total Operating Income (TOI) in FY18

The scale of operations of the company has shown an increasing trend from past three financial years ended FY18. During FY18, TOI of SCBL has increased marginally by 3.21% over FY17 and stood moderate at Rs.64.35 crore mainly due to higher export incentive during the year.

Volatility associated with raw material prices

The major raw materials used are natural rubber, synthetic rubber, fillers such as carbon black, silica and clay, other vulcanising agents, zinc oxide and cotton or synthetic fabric most of which are prone to high price volatility. Raw material constituted around 90% of the total production cost of SCBL. Further, the average production time for conveyor belts is approximately two months due to which SCBL is required to maintain high levels of raw material inventory. This exposes the company to adverse movements in the prices of raw materials especially on account of the fact that finished goods prices are fixed at the time of receipt of orders

Key Rating Strengths

Experienced promoters

The company affairs are looked after by Shri O. P. Bhansali, Chairman & Managing Director, who is having more than 30 years of experience in the conveyor belt industry. He is assisted by his sons, Shri Vimal Bhansali and Shri Gaurav Bhansali, Whole time Directors, who looks after business development and general administration activities respectively. They are also assisted by senior level management team and functional heads of Marketing, Finance, Operations, Commercial and Administration.

Moderate profitability margins

The profitability margins remained moderate with PBILDT and PAT margin of 15.13% and 1.57% in FY18 respectively as against 15.33% and 0.63% respectively in FY17. PBILDT margin of the company has dipped marginally by 20 bps in FY18 over FY17 mainly on account of increase in employee cost.

Comfortable solvency position

Out of the total debt of Rs.26.47 crore, Rs. 24.94 crore comprises of working capital bank borrowings which include buyer's credit of Rs.5.58 crore, Rs.1.36 crore relates to unsecured loans from the director and balance is of vehicle loan. The overall gearing remained comfortable at 0.47 times as on March 31, 2018 as against 0.48 times as on March 31, 2017 owing to marginally lower utilization of working capital bank borrowings.
Further the overall gearing including acceptances remained comfortable at 0.51 times as on March 31, 2018, remained stable.
Furthermore, debt service coverage indicators remained comfortable with total debt to GCA of 5.28 times as on March 31, 2018 and interest coverage ratio remained comfortable at 2.64 times in FY18.

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
Criteria for Short term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies

Background of the Company

Jodhpur (Rajasthan) based Somi Conveyor Beltings Limited (SCBL) was incorporated in 2000 and is engaged in the manufacturing of rubber 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 having a total manufacturing capacity of 9,00,000 Meters Per Annum (MPA) and 5000 pieces of rubber sheets per annum. The plants are certified as ISO 9001: 2008 for quality management systems.

Brief Financials (Rs. crore)	FY17 (A)	FY18(A)
Total operating income	62.35	64.35
PBILDT	9.56	9.73
PAT	0.40	1.01
Overall gearing (times)	0.51	0.47
Interest coverage (times)	2.97	2.64

A:Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

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.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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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/ ST-Cash Credit	-	-	-	18.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Negative / CARE A3+ on the basis of best available information
Non-fund-based - ST-ILC/FLC	-	-	-	8.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the

					basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	12.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT/ ST-Cash Credit	LT/ST	18.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Negative / CARE A3+ on the basis of best available information	-	1)CARE BBB; Negative / CARE A3+ (23-Mar-18)	1)CARE BBB; Stable / CARE A3+ (03-Mar-17)	1)CARE BBB / CARE A3+ (17-Mar-16)
2.	Non-fund-based - ST-ILC/FLC	ST	8.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	-	1)CARE A3+ (23-Mar-18)	1)CARE A3+ (03-Mar-17)	1)CARE A3+ (17-Mar-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	12.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	-	1)CARE A3+ (23-Mar-18)	1)CARE A3+ (03-Mar-17)	1)CARE A3+ (17-Mar-16)
4.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Mar-17)	1)CARE BBB (17-Mar-16)

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