Rating Rationale

6 May 2019

Som Shiva (Impex) Ltd

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.05 Crores of Som Shiva (Impex) Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	8.55	Long Term	BWR BB (Pronounced as BWR Double B) Outlook : Stable
Non Fund Based	0.50 (3.00)	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	9.05	INR Nine Crores & Five Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financials upto FY18, Provisional Financials for FY19, Financial projections for FY20, publicly available information and clarifications/information provided by the management.

The rating draws strength from an extensive experience of promoters in the plastic products business, diversified portfolio, reputed clientele, and regular infusion of unsecured loans by promoters. The ratings are however, constrained by low scale of operation, average financial risk profile, stretched liquidity, and vulnerability of operating profitability due to volatility in raw material prices.

Going further, the Company's ability to improve the revenues, profit margins, efficient management of working capital and regular repayment of debt obligations will be key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced promoters:** Mr Pranay Patel has an experience of three decades in the plastic products industry.
- **Diversified portfolio & reputed clientele :** Company offers a diversified portfolio of products like black masterbatches, injection moulded products, fiber grade masterbatch and engineering plastic compounds. Company has an established relationship with automotive plastic products player; Sintex BAPL, since last few years. It receives recurring business from Sintex BAPL & that contributes around 30%-34% to its topline.
- **Support of associate concerns by way of infusion of funds:** There has been a regular infusion of interest free unsecured loan by promoters and associate concerns over the past few years. Company's unsecured loan stood at Rs. 20.54 Crs on 31st March, 2018 and Rs. 20.09 Crs as per unaudited and management certified provisional financials for FY19.

Credit Risks :

- **Low Scale of Operation :** The Company's scale of operation is low and shows declining trend since last couple of years. The Company has reported TOI of Rs. 17.90 Crs for FY18 against Rs. 23.40 Crs in FY17. The production of one of the products ~colour masterbatch was stopped during FY19. It used to generate around 30% of the Company's total revenue. As per unaudited & management certified provisional financials, the total achieved revenue as on 31st March 2019 was Rs. 18.13 Crs.

- **Vulnerability of operating profitability due to volatility in raw material prices:**Key raw materials are polymers and carbon black, which are crude oil derivatives. Hence, prices partially mirror volatility in crude oil prices. Operating profitability has been stable at 9.79-11.60% over the three fiscals through 2018, driven by favourable raw material prices. Despite improvement in profitability and ability to pass on price volatility to some extent, the Company will remain vulnerable to any sharp volatility in crude oil prices.
- **Average financial risk profile** : The Company's gearing remains on the higher side i.e Debt/TNW at 3.96x in FY18 & 4.13x in FY17. The analysed gearing is low at 1.22x in FY18. Debt protection metrics are weak with DSCR at 1.31x & ISCR at 1.34x in FY18.
- **Stretched working capital Cycle:** The Company's liquidity remained stretched. The current ratio was 0.55x in FY18 as against 0.54x in FY17. It had receivable days of 156 and conversion cycle of 98 days during FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the business risk profile of **Som Shiva (Impex) Ltd**, will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

The Company was incorporated in 1984 by Mr Pranay Patel for manufacturing black and additive masterbatches of different grades which are used for various plastic products for imparting desired properties. The Company has an injection moulding facility for manufacturing plastic moulded products. The plant is located at Chhatral, near Kalol, Gujarat and has a combined installed capacity of 3,800 metric tonne per annum (MTPA).

Company Financial Performance

The Company has reported a TOI of Rs. 17.90 Crs with a net profit of Rs. 0.54 Crs in FY18 as against Rs. 23.40 Crs with a net profit of Rs. 0.16 Crs in FY17. As per management certified and unaudited financials as on 31st March, 2019, the Company has achieved sales of Rs. 18.13 Crs.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	17.90	23.40
EBITDA	₹ Cr	1.75	2.71
PAT	₹ Cr	0.54	0.16
Tangible Net worth	₹ Cr	8.32	7.84
Total Debt/Tangible Net worth	Times	3.96	4.13
Current Ratio	Times	0.55	0.54

Rating History for the last three yearsNot Rated

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1 2 3	**Fund Based** Cash Credit Term Loan -I Term Loan -II	Long Term	4.50 2.44 1.61	BWR BB (Pronounced as BWR Double B) Outlook : Stable	Not Rated	Not Rated	Not Rated
4	**Non Fund Based:** Bank Guarantee (Sub limit of CC- LCBD) (Sub limit of CC-ILC/FLC)	Short Term	0.50 (1.50) (1.50)	BWR A4 (Pronounced as BWR A Four)	Not Rated	Not Rated	Not Rated
	Total		**9.05**	**₹ Nine Crores & Five Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Jayraj Bhatt *Director - Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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