

Press Release

Siddharth Global Private Limited

January 25, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of Siddharth Global Private Limited (SGPL). The outlook is '**Stable**'.

The Mumbai based, SGPL was incorporated in 1995. The company is engaged in import and distribution of chemicals used in pharmaceutical industry. The company is currently managed by Mr. Kishore Lunawat, Mr. Naresh Lunawat and Mr. Dhruv Lunawat.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SGPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SGPL was incorporated in 1995 as a private limited company, thus, have an operational track record of over two decades in wholesale trading industry. Mr. Kishore Lunawat and Mr. Naresh Lunawat have an experience of over two decades in the same line of business. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationships with its customers and suppliers. Acuite believes that SGPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Reputed clientele**

SGPL has established relations with reputed customers such as Dr. Reddy's Laboratories, Aurobindo Pharma Limited, Andhra Organics Limited, Glenmark Pharmaceuticals, Nectar Lifesciences Limited, and Merck Limited, among others. The company has long standing relations of over two decades with its customers and suppliers.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company remained average marked by low net worth of Rs. 3.11 crore as on 31 March 2018 as against Rs. 3.00 crore as on 31 March 2017. The gearing (debt-equity) stood at 1.90 times as on 31 March 2018 as against 2.31 times as on 31 March 2017. The total debt of Rs. 5.92 crore as on 31 March 2018 is short term debt. Interest Coverage Ratio (ICR) stood at 1.22 times for FY2018 as against 1.14 times for FY2017. Further, Debt to EBITDA stood high at 7.00 times in FY2018 as against 7.96 times in FY2017.

- **Fluctuating revenues and thin margins**

The company has small scale of operations marked by Rs. 26.47 crore in FY2018 as against Rs. 21.61 crore in FY2017 and Rs. 27.85 crore in FY2016. However, the company has registered ~Rs. 24.00 crore of revenues for the period April 2018- December 2018. Further, the company's operating margins stood at 2.21 percent in FY2018 as against 2.07 percent in FY2017. Profit after tax (PAT) margins stood thin at 0.40 percent in FY2018 as against 0.16 percent in FY2017.

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 181 days for FY2018 as against 238 days for FY2017. This is mainly due to high debtors of 89 days for FY2018 as against 130 days for FY2017. The inventory period stood at 28 days for FY2018 as against 30 days for FY2017. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Liquidity Position

SGPL has moderate liquidity marked moderate net cash accruals of Rs. 0.11 crore for FY2018 against no debt obligations for the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 0.13 crore to Rs. 0.20 crore during 2019-21 with no debt obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 181 in FY2018. However, the cash credit limit utilization stood at 82.01 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs. 0.05 crore as on March 31 2018. The current ratio stands healthy at 1.16 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate net cash accrual and no debt repayments.

Outlook: Stable

Acuite believes that SGPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.47	21.61	27.85
EBITDA	Rs. Cr.	0.58	0.45	0.77
PAT	Rs. Cr.	0.11	0.03	0.11
EBITDA Margin	(%)	2.21	2.07	2.77
PAT Margin	(%)	0.40	0.16	0.41
ROCE	(%)	8.87	9.59	10.14
Total Debt/Tangible Net Worth	Times	1.90	2.31	1.75
PBDIT/Interest	Times	1.22	1.14	1.28
Total Debt/PBDIT	Times	7.00	7.96	6.29
Gross Current Assets (Days)	Days	181	238	145

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Feb-2018	Cash Credit	Long Term	5.00	ACUITE B+ / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.50	ACUITE B+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Reaffirmed)
30-Jan-2018	Cash Credit	Long Term	5.00	ACUITE B+ (Indicative)
	Proposed Working Capital Demand Loan	Long Term	3.00	ACUITE B+ (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Indicative)
26-Oct-2016	Cash Credit	Long Term	5.00	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Proposed Working Capital Demand Loan	Long Term	3.00	ACUITE B+ / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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