

Press Release

Nitson & Amitsu Private Limited (NAPL)

04 Nov, 2019

Rating Upgraded & Reaffirmed



Total Bank Facilities Rated*	Rs. 37.00 Cr. (Enhanced from Rs.35.00 crore)
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from 'ACUITE BB' (read as ACUITE double B) and reaffirmed the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.37.00 crore of bank facilities of Nitson & Amitsu Private Limited (NAPL). The outlook is '**Stable**'.

The rating upgrade is in view of overall improvement in the business risk profile of the company characterized by increase in revenue to Rs.108.19 crore in FY2019 from Rs.101.57 crore in FY2018 resultant to improvement in the operating profitability to 8.16 per cent in FY2019 from 6.89 per cent in previous year. The profitability of the company has improved mainly on account of decrease in raw material price.

Incorporated in 1983, Nitson & Amitsu Private Limited is a Kolkata based company promoted by Mr. Aruneshwar Krishan Soni and family. The company undertakes installation of aluminum doors and windows for residential and commercial buildings. In addition the company also provides hardware and electrical services.

Nitson and Amitsu Business Solution Private Limited (NABSPL) is engaged in the manufacturing of aluminium doors, windows and structures and led by Mr. Aruneshwar Krishan Soni and family.

Analytical Approach:

Acuite has considered the consolidated financial performance and business risk profile of two companies - Nitson and Amitsu Private Limited and Nitson and Amitsu Business Solution Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

Incorporated in 1983 – NAPL has a long track record of over three decades in the same line of business. The promoter, Mr. Aruneshwar Krishan Soni is associated with the day to day operations since inception. Owing to experienced management and long standing relationship with customers supports NAPL business risk profile. NAPL generates its revenues by providing services to Hotel and Infra industry in Kolkata mostly. Company provides hardware services to big projects like ITC Sonar Bangla Hotel, Novotel, Acropolis Mall, City Centre I and different residential unit such as different projects of Mani Group, South City among others. NAPL also received the order for providing the windows and electrical fittings for Triumph Tower, Kolkata

Healthy financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stands healthy at Rs.41.82 crore in FY2019 as compared to Rs.38.01 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stands comfortable at 0.43 times as on March 31, 2019 when compared to 0.46 times as on March 31, 2018. The total debt of Rs.17.82 crore in FY2019 consists of short term loan of Rs.15.00 crore, and unsecured loan from promoters of Rs.0.55 crore and long term debt of Rs.2.27 crore. Interest coverage ratio (ICR) is comfortable and stands at 3.72 times in FY2019 as against 3.92 times in FY 2018. The debt service coverage ratio also stands comfortable at 1.93 times in FY2019 as against of 1.86 times in FY2018. Total outside liability as against tangible net worth (TOL/TNW) stands high at 1.85 times in

FY2019 as compared to 2.22 times in previous year. Acuite believes going forward the financial risk profile of the company will remain healthy.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 361 days in FY2019 as compared to 382 days in FY2018. The inventory days are high at 215 days in FY2019 as compared to 240 days in FY2018. The debtor days are also stands high at 117 days in FY2019 and 132 days in FY2018 respectively. Company's operations are expected to remain working capital intensive, as the company is engaged providing services of aluminium and hardware products, which leads to an inventory holding period of around 90 days in order to meet the requirement of their regular customers.

Modest scale of operation

Though the company has started operation since 1983, the revenue of the company stood modest at Rs.108.19 crore in FY2019 as compared to Rs.101.57 crore in FY2018. Acuite believes the ability of the firm to scale up the operations will remain a key monitorable.

Rating Sensitivity

- Scaling up of operations.
- Sustenance of healthy operating profit margin at around 8-9 per cent

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals of Rs.4.83 crore as against Rs.0.55 crore of yearly debt obligation. The cash accruals of the company are estimated to remain in the range of around Rs. 6.21 crore to Rs. 7.95 crore during 2020-22 against repayment obligations ranging from Rs. 0.55 crore. The working capital of the company is stretched marked by gross current asset days of 361 in FY2019 (Prov.). The bank limit is 100 per cent utilized by the company and The company maintains unencumbered cash and bank balances of Rs. 0.17 crore as on March 31, 2019. The current ratio of the company stood at 1.49 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes NAPL will maintain a stable business risk profile over the medium term. NAPL will continue to benefits from experienced management and established association with customers and suppliers. The outlook may be revised to "Positive" in case the company registers strong growth in scale of operations while registering sustained improvement in profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	108.19	101.57	91.15
EBITDA	Rs. Cr.	8.83	7.00	6.04
PAT	Rs. Cr.	3.98	3.09	2.58
EBITDA Margin	(%)	8.16	6.89	6.63
PAT Margin	(%)	3.68	3.05	2.83
ROCE	(%)	14.69	13.14	24.92
Total Debt/Tangible Net Worth	Times	0.43	0.46	0.33
PBDIT/Interest	Times	3.72	3.92	4.03
Total Debt/PBDIT	Times	1.92	2.33	1.75
Gross Current Assets (Days)	Days	361	382	310

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
11-Sep-2018	Cash Credit	Long Term	6.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
14-June-2017	Cash Credit	Long Term	1.25	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	0.60	ACUITE BB/Stable (Assigned)
	Proposed Cash Credit	Long Term	4.15	ACUITE BB/Stable (Assigned)
	Proposed Long Term	Long Term	4.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	0.40	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	11.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	3.60	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+/Stable (Upgrade)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+/Stable (Upgrade)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Reaffirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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