

## Press Release

### Nitson and Amitsu Private Limited

January 29, 2021

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 37.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/Negative (Rating Reaffirmed, Outlook revised from 'Stable')
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

The revision in the outlook to 'Negative' is due to deterioration in the operating performance of the group and the trend is expected to remain subdued in the near term. The revision in outlook is also on account of significant elongation in working capital operations due to stretched receivables and inventory holding period during FY2020. The revenue of the group has declined to Rs.86.76 crore in FY2020 as compared to Rs.108.19 crore in the previous year. This deterioration is on account of lower execution in project during the period due to the outbreak of 'Covid-19' during the year end.

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 Building Systems 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:

Acuité has consolidated the financial and business risk profile of Nitson & Amitsu Private Limited (NAPL) and Nitson & Amitsu Building Systems Private Limited (NABSPL). The group is herein being referred to as Nitson Group. The same is on account of common management, the same line of operations and significant operational and financial linkages. Extent of consolidation: Full

### Key Rating Drivers:

#### **Strengths**

#### **Experienced management and long track record of operation**

NAPL a Kolkata based group was incorporated in 1983 and promoted by Mr. Aruneshwar Krishan Soni and his family. Mr. Soni has more than four decades of experience in aluminium industry as he is associated with NAPL since inception. The other directors Mr. Amit Soni, Mr. Sumit Soni, Mr. Nitin Gulati and Mr. Sonesh Gulati also have more than a decade experience in similar industry. The long track record of operations has helped the group build long term relations with customers as well as with the suppliers.

### **Healthy financial risk profile**

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood healthy at Rs.44.01 crore in FY 2020 as compared to Rs 41.82 crore in FY2019. This improvement in networth is mainly due to retention of current year profit. The gearing of the group stood comfortable at 0.40 times as on March 31, 2020 when compared to 0.43 times as on March 31, 2019. The total debt of Rs.17.79 crore consists of short term debt of Rs.14.66 crore, long term debt of Rs.2.58 crore and unsecured loan from promoters of Rs.0.55 crore. Interest coverage ratio (ICR) is healthy and stood at 2.32 times in FY2020 as against 3.72 times in FY 2019. The debt service coverage ratio (DSCR) of the group also stood comfortable at 1.62 times in FY2020 as compared to 1.93 times in the previous year. The net cash accruals to total debt (NCA/TD) stood moderate at 0.15 times in FY2020 as compared to 0.27 times in the

previous year. Going forward, Acuite believes the financial risk profile of the group will remain comfortable backed by no major debt funded capex plan over the medium term and steady net cash accruals.

## Weaknesses

### Working capital intensive nature of operation

The working capital intensive nature of operation is marked by high gross current asset (GCA) days of 444 days in FY2020 as compared to 361 days in the previous year. This increase in GCA days is on account of increase in inventory holding to 265 days in FY2020 as compared to 215 days in FY2019 respectively. The high GCA days are also on account of high receivables of 144 days in FY2020 as compared to 117 days in the previous year. This significant increase in inventory and debtor days of the group is mainly the inventory and receivables during the year end, which coincided with the COVID -19 pandemic. Moreover, the working capital limit has been utilized ~93 per cent in the last six months ended December 2020. Acuité believes that the group to manage its working capital operations efficiently will remain a key rating sensitivity.

### Moderate scale of operation

The revenue of the group stood moderate at Rs.86.76 crore in FY2020 as compared to Rs. 108.19 crore in the previous year. The group has booked Rs.33.89 crore till 31st December in FY2020 (Provisional). However, the revenue of the group has declined in FY2020 on account of lower revenue during March 2020 due to the outbreak of 'COVID-19'.

### Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.
- Working capital management

### Material Covenant

None

### Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.2.71 crore as against of Rs.0.47 crore long term debt obligations in FY2020. The cash accruals of the group are estimated to remain in the range of around Rs. 1.79 crore to Rs. 3.95 crore during 2021-23 as against of Rs.0.47 crore in FY2021 and Rs.0.99 crore of long term debt obligation in FY2022 and FY2023 respectively. The working capital management of the group is marked by Gross Current Asset (GCA) days of 444 days in FY2020. The bank limit of the group has been ~93 percent utilized during the last six months ended in December 2020. Further, the liquidity of the group is also strengthened by the unencumbered cash of Rs.0.17 crore. Moreover, the group has availed the loan moratorium till August 2020 and also sanctioned with any covid emergency fund of Rs.1.57 crore. The said loan has to be repaid over a period of 4 years including 1 year of moratorium. The current ratio of the group stood comfortable at 1.58 times in FY2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against long debt repayments over the medium term.

### Outlook: Negative

Acuité has revised the outlook to 'Negative' due to deterioration in their operating performance with dip in revenues and operating profitability margin. The revision in outlook also reflects elongation in the working capital cycle of the group. The rating may be downgraded in case of any further deterioration in the working capital management or any sharp decline in turnover levels of the group leading to dip in the cash accruals. Conversely, the outlook may be revised to 'Stable' in case of improvement in their working capital management and improvement in revenue and profitability margin.

### About the Rated Entity - Key Financials (Consolidated)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	86.76	108.19
PAT	Rs. Cr.	2.06	3.98
PAT Margin	(%)	2.38	3.68
Total Debt/Tangible Net Worth	Times	0.40	0.43
PBDIT/Interest	Times	2.32	3.72

### About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	86.08	107.19
PAT	Rs. Cr.	1.28	2.43
PAT Margin	(%)	1.49	2.26
Total Debt/Tangible Net Worth	Times	0.51	0.50
PBDIT/Interest	Times	2.03	3.17

#### **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-52.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

#### **Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
04-Nov-2019	Cash Credit	Long Term	6.00	ACUITE BB+/Stable (Upgraded)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB+/Stable (Upgraded)
	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)
11-Sep-2018	Cash Credit	Long Term	6.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	4.00	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 Bank Guarantee	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 (Rs. Crore)	Ratings/Outlook
Cash Credit	Note Applicable	Note Applicable	Note Applicable	6.00	ACUITE BB+/Negative (Rating Reaffirmed; outlook revised)
Proposed Cash Credit	Note Applicable	Note Applicable	Note Applicable	4.00	ACUITE BB+/Negative (Rating Reaffirmed; outlook revised)
Bank Guarantee	Note Applicable	Note Applicable	Note Applicable	13.50	ACUITE A4+ (Reaffirmed)
Letter of Credit	Note Applicable	Note Applicable	Note Applicable	5.00	ACUITE A4+ (Reaffirmed)

Proposed Bank Guarantee	Note Applicable	Note Applicable	Note Applicable	6.50	ACUITE A4+ (Reaffirmed)
Proposed Letter of Credit	Note Applicable	Note Applicable	Note Applicable	2.00	ACUITE A4+ (Reaffirmed)

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### About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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