

## Press Release

### Nitson and Amitsu Private Limited

April 28, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	27.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	37.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite 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 '**Stable**' from '**Negative**'.

The outlook revision is on account of improvement in overall business risk profile of the group marked by improvement in revenue and operating profitability during 11MFY2022. The outlook revision also factors in the improvement in working capital management in FY22 (Prov.) as compared to FY2021 along with overall improvement in capital structure of the group during FY22 (Prov.) as compared to the previous year.

The rating of NAPL is driven by the extensive experience of the management in aluminium industry along with established relationship with customers. The rating also reflects the moderate scale of operation of the group. However, these strengths are partially offset by the working capital intensive nature of operation and average financial risk profile.

## About the Company

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.

## About the Group

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, 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-**

The group was incorporated in 1983 and promoted by Mr. Aruneshwar Krishan Soni and his family. Mr. Soni has more than 4 decades of experience in aluminium industry as he 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.

#### **Established relationship with customers**

Experienced management and long standing relationship with customers supports group's business risk profile. Nitson group generates its revenues by providing services to hotel and infra industry in Kolkata mostly. Group 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. Nitson group has also received the order for providing the windows and electrical fittings for Trump Tower, Queens Park and Alipore Institute of Management.

#### **Moderate scale of operation coupled with moderate profitability margin**

The revenue of the group stood moderate at Rs.62.23 crore till 11MFY2022 (Prov.) as compared to Rs.37.40 crore in FY2021. This improvement in revenue of the group is on account of an overall improvement in infrastructure industry leading to increase in demand for Aluminium doors, windows during the period. Acuité believes that the revenue of the group will improve backed by comfortable order book of Rs.116.19 crore as on 31st March 2022, which imparts revenue visibility over the near term. The revenue of the group has significantly reduced in FY2021 to Rs.37.40 crore as compared to Rs.86.76 crore in FY2020, mainly due to nation-wide lock down and impact of covid-19 worldwide.

The operating profitability margin of the group stood moderate at 4.2 percent till 11MFY2022 (Prov.) as compared to a loss of 2.92 percent in FY2021. The losses were mainly due to high direct cost during the same period. Acuité believes, that the operating profitability margin of the group will improve and will be maintained at moderate level, backed by steady demand from the domestic market. The net profitability margin of the group also stood low at 0.75 per cent in FY2022 (Prov.) as compared to a net loss of 8.37 percent in FY2021.

## Weaknesses

#### **Average financial risk profile**

The financial risk profile of the group is marked by moderate net worth, low gearing and moderate debt protection metrics. The net worth of the group has declined and stood moderate at Rs. 40.96 crore in FY2021 as compared to Rs.44.01 crore in FY2020. This decrease in networth is on account of net loss during 31<sup>st</sup> March 2021 by the group. The networth of the group expected to improve in FY2022 (Prov.). The gearing of the group stood low at 0.60 times as on March 31, 2021 when compared to 0.40 times as on March 31, 2020. The gearing of the group is expected to improve and maintain at the lower side during FY2022 (Prov.) also.

Interest coverage ratio (ICR) stood modest at 1.39 times in FY2022 (Prov.) as against negative 0.22 times in FY 2021. The debt service coverage ratio (DSCR) of the group also stood moderate at 1.08 times in FY2022 (Prov.) as compared to 0.12 times in the previous year. The overall coverage indicators are also expected to improve during FY2022 (Prov.). The net cash accruals to total debt (NCA/TD) stood low at 0.05 times in FY2022 (Prov.) as compared to negative 0.11 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain improve on account increase in cash accruals and no major capex plan in the near term.

### **Working capital intensive nature of operation**

The working capital management of the group is marked by high GCA days of 961 days in FY2021 as compared to 444 days in FY2020. Further, the gross current asset days of the group has improved to 511 days in 11MFY2022 (Prov). This improvement GCA day is mainly on account of the improvement in inventory days to 290 days during 11MFY2022 as compared to 514 days in FY2021. The collection period of the group has also improved to 145 days in FY2022 (Prov.) as compared to 350 days in the previous year. Acuité believes that the ability of the group to manage its working capital operations efficiently will remain a key rating sensitivity.

### **Rating Sensitivities**

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

### **Material covenants**

None

### **Liquidity Position: Stretched**

The group has moderate liquidity marked by comfortable current ratio of 1.79 times as on Mar'21. The bank limit of the group has been ~94 percent utilized during the last six months ended March 2022. The working capital intensive nature of the group is marked by high Gross Current Asset (GCA) days of 961 days as on Mar'21. Though the gross current asset days of the group has improved but still stood high at 511 days till 11MFY2022 (Prov). The cash accruals of the group are estimated to remain in the range of around Rs. 1.06 crore to Rs. 1.72 crore during 2022-23 as against Rs.0.76 crore long term debt obligations in FY2022 and in FY2023 respectively. Acuité believes that the liquidity of the group is likely to improve over the medium term on account of increase in cash accruals against long debt repayments over the medium term.

### **Outlook: Stable**

Acuité believes the group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management and established association with customers and suppliers along with moderate scale of operation. The outlook may be revised to "Positive" in case the group registers significant improvement in scale of operations while improving their profit margins and achieving significant improvement in working capital management. The outlook may be revised to 'Negative' in case of deterioration in the group's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	37.40	86.76
PAT	Rs. Cr.	(3.13)	2.06
PAT Margin	(%)	(8.37)	2.38
Total Debt/Tangible Net Worth	Times	0.60	0.40
PBDIT/Interest	Times	(0.22)	2.32

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

### Note on complexity levels of the rated instrument

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jan 2021	Cash Credit	Long Term	6.00	ACUITE BB+   Negative (Reaffirmed)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB+   Negative (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A4+ (Reaffirmed)
04 Nov 2019	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bank Guarantee	Short Term	13.50	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)

11 Sep 2018	Proposed Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB   Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
14 Jun 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 Loan	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+   Stable   Reaffirmed   Negative to Stable
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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