

Press Release
Nitson And Amitsu Private Limited
February 15, 2023
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.50	-	ACUITE A4+ Assigned
Bank Loan Ratings	31.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	39.50	-	-

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 plus) on the Rs.37.00 Cr. bank facilities of Nitson & Amitsu Private Limited (NAPL), and assigned the short term rating of 'ACUITE A4+' (read as ACUITE A four) on the Rs. 2.5 Cr bank facilities of Nitson & Amitsu Private Limited (NAPL). The outlook is 'Stable'.

Rating rationale

The rating is reaffirmed on account of steady business risk profile of the group marked by recovery in the business post pandemic situation.. The rating also factors the extensive experience of the management in aluminium industry along with established relationship with customers and above average financial risk profile characterized by comfortable gearing. However, these strengths are partially offset by the working capital intensive nature of operations.

About the Company

Nitson & Amitsu Private Limited was established in the year 1983 and involved in providing services of aluminium doors, windows. The company is also providing electrical jobs along with hardware solution. The company has registered office in Kolkata and branch office located in Sri Lanka. The company is promoted by Mr. Aruneshwar Krishan Soni, Mr. Amit Soni, Mr. Sumit Soni, Mr. Nitin Gulati and Mr. Sonesh Gulati.

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.

NAPL procures aluminium doors, windows and glazing material from its group company and also procure from the domestic market. The group also procures glass, MS steel, MS structures from the local market of Kolkata and Chennai and fire doors from Bangalore.

The group majorly caters to the Hotel and Infra industry in Kolkata. NAPL provides hardware services to reputed clientele, namely, ITC Sonar Bangla Hotel, Novotel, Acropolis Mall, City Centre 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, Queens Park and Alipore Institutes of Management.

Analytical Approach

Acuite 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 and Established relationship with customers

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.

Owing to 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 reputed clientele like ITC Sonar Bangla Hotel, Novotel, Acropolis Mall, City Centre 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 Trumph Tower, Queens Park and Alipore Institutes of Management.

- ♦ Steady business risk profile marked by recovery in the post pandemic situation

The group has improved revenues to Rs. 96.41 Cr in FY2022 as compared to Rs. 37.40 Cr in FY2021. The turnover of the group has been growing at y-o-y of more than 159.46 per cent. Further the group has already achieved revenue of around Rs.59.74Cr. till Dec'22 (Provisional). In addition, order book as on Oct,22(Provisional) stood at 122.67 as compared to 272.19 as on March 2022. Going forward, Acuite believes that the revenue of the group will improve backed by comfortable order book position, which imparts revenue visibility over the near term.

The operating margin of the group stood moderate at 6.78 per cent in FY2022 as compared to negative 2.92 per cent in the previous year. This significant increase in operating margin is on account of significant increase in raw material cost during the period. The pat margin of the group stood moderate at 1.24 per cent in FY2022 as compared to negative 8.37 per cent in the previous year. Moreover, the group has registered 8 per cent of operating profit till 31st Dec 2023 (Prov.). Going forward, Acuite believes that the operating profitability margin of the group will improve on account of increasing demand in infrastructure industry in domestic as well as in global market.

Weaknesses

- ♦ Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high GCA days of 495 days as on March 31, 2022 as compared to 961 days as on March 31, 2021. The high GCA days are high primarily on account of a high inventory holding period for 323 as on March 31,2022 as compared to 514 as on March 31,2021. Further, the high GCA days are also on account of high receivables of 155 as on March 31,2022 as compared to 350 days in the previous year. Acuite believes that the working capital operations of the firm will remain at the similar levels on account of high inventory and high debtors over the medium term.

- ♦ Moderate financial risk profile

The financial risk profile of the group is marked by modest network, comfortable gearing and moderate debt protection metrics. The net worth of the group stood healthy at Rs.42.06 crore in FY 2022 as compared to Rs 40.96 crore in FY2021. The gearing of the group stood comfortable at 0.69 times as on March 31, 2022 as against 0.60 times as on March 31, 2021. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 1.60 times as on March 31, 2022 as compared to 1.76 times in the previous year. The moderate debt protection metrics of the group is marked by moderate Interest Coverage Ratio of 1.50 times and Debt Service Coverage Ratio at 1.17 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood moderate at 0.05 times as on March 31, 2022 as against negative 0.11 times as on March 31, 2021. Acuite believes that going forward the financial risk profile of the group will remain above average backed by improving accruals and no major debt funded capex plans.

- Intense competition and inherent nature of the steel industry

The world aluminium industry is facing extraordinary challenges, the new energy and resource-efficiency requirements in the development of transport, electronics, building, construction and other industries are the main drivers of light metal demand, but some issues must be seriously considered, such as, the environment and climate change, population growth and urbanization, innovations and new products and technologies.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

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

Material covenants

None

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.1.55 crore as against of Rs.1.22 crore long term debt obligations in FY2022. The current ratio stood comfortable at 2.00 times as on March 31, 2022 as compared to 1.79 times as on March 31, 2021. The cash and bank balances stood at Rs 0.10 Cr as on March 31, 2022. However, the fund based limit utilized at 98% per cent for the six-months ended December 2023. Additionally, the working capital intensive nature of operations is marked by high GCA days of 495 days as on March 31, 2022 as compared to 961 days as on March 31, 2021. Acuité believes that the liquidity of the group is likely to improve over the medium term on account of increasing cash accruals against decreasing 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	69.41	37.40
PAT	Rs. Cr.	0.86	(3.13)
PAT Margin	(%)	1.24	(8.37)
Total Debt/Tangible Net Worth	Times	0.69	0.60
PBDIT/Interest	Times	1.50	(0.22)

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>
- 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Apr 2022	Proposed Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	8.50	ACUITE A4+ (Reaffirmed)
	Proposed Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	Simple	ACUITE A4+ Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	Simple	ACUITE A4+ Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	Simple	ACUITE BB+ Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	Simple	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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