

Press Release

SANGITA SALES PRIVATE LIMITED

08 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 31.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) on the Rs. 31.00 crore bank facilities of SANGITA SALES PRIVATE LIMITED. The outlook is '**Stable**'.

The Nagpur-based Sangita Sales Private Limited (SSPL) was incorporated in 1992. Promoted by Mr. Kishor Bansal (Director), Mr. Pradeep Bansal and Mr. Anant Kr. Agarwal. SSPL is engaged in the trading of coal. The company procures coal from subsidiaries of Coal India Limited (CIL) and supplies to several industries including steel, power and cement.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Anant Kr. Agarwal, Mr. Pradeep Bansal and Mr. Kishor Bansal, possess experience of over two decades in the coal trading business. The extensive experience has helped the management develop healthy relations with customers and suppliers.

- **Consistent increase in revenues**

The operating income stood at Rs.159.15 crore registering a CAGR of 4.34 percent during FY2014-17. The revenue stood at Rs.159.15 crore in FY2016-17 (Provisional) compared to Rs.160.77 crore in FY2015-16. The company is able to continuously achieve healthy growth in operating income on account of addition of customers and penetration into new geographies.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by modest levels of networth of Rs.17.06 crore as on 31 March, 2017 (Provisional) compared to Rs.14.39 crore a year earlier. The gearing stood at a high of 2.77 times as on 31 March, 2017 (Provisional) against 3.07 times in the previous year. The total debt includes unsecured loans of Rs.18.24 crore and working capital limit of Rs.29.07 crore. The interest coverage ratio stood at a moderate 1.39 times in FY2016-17 (Provisional) compared to 1.34 times in FY2015-16. The net cash accrual to total debt (NCA/TD) stood relatively low at 0.04 times in FY2017 (Provisional) as well as in FY2016. SMERA expects the company to continue its moderate risk profile over the near to medium term.

- **Intense competition**

The company is exposed to intense competition in the industry from a large number of players that limits its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers higher than-expected revenue and cash accruals along with improvement in the gearing levels. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to increase in debt levels or owing to significant debt-funded capex undertaken by the company.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), SSPL reported net profit after tax of Rs.1.52 crore on total income of Rs.159.15 crore as against net profit after tax of Rs.1.40 crore on total income of Rs.160.77 crore a year earlier. The net worth stood at Rs.17.06 crore as on 31 March, 2017 (Provisional), compared with Rs.14.39 crore a year earlier.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	Not Applicable	Not Applicable	Not Applicable	31.00	SMERA BB- / Stable

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