

Press Release

Saisons Trade And Industry Private Limited

November 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 25.00 crore bank facilities of Saisons Trade And Industry Private Limited (STIPL). The outlook is '**Stable**'.

The Mumbai based, Saisons Trade & Industry Private Limited (erstwhile Saisons Technocom Private Limited) was incorporated in 1999 and is promoted by Mr. Siddharth Shah. Over the years, STIPL has diversified its product range which includes manufacturing of electrical and engineering products such as electrical panels, fire protection systems & accessories, wire harness, accessories for telecom equipment along with fabrication. The promoter is in the process of launching an innovative product i.e. Atmospheric Water generator under the brand name 'AirOwater' which uses Air-2-Water technology for water generation from atmosphere. STIPL has its manufacturing facilities at Bhiwandi (Maharashtra).

Analytical Approach

Acuite has considered standalone financial and business risk profile of STIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record:

STIPL commenced its operations in 1999 as a manufacturer and supplier of telecom related products and TV panels for Onida. With technology advancements and changing demand in industry, the company diversified its product range and is now engaged in manufacturing of various electrical and engineering products. The diversified product range has aided in catering to a wider range of end user industry. STIPL's products find application in power transmission & distribution projects, telecom industry, infrastructure sector, IT, Malls and Hospitals, among others.

The company's business risk profile is supported by strong track record and expertise of Mr. Siddharth Shah, Promoter and Managing Director in the business segment. STIPL's business risk profile is further expected to improve on the back of addition of new products such as AirOwater which is an innovative product and is expected to launch in 6 to 8 months' time frame. Acuite believes that the company's business risk profile will be supported by established track record in the industry and strong experience of promoter in the industry.

• Healthy growth in scale of operations:

The company has reported revenues of Rs.603.83 crore in FY2018 (Provisional) as against Rs.303.23 crore in FY2017. The significant growth in scale of operations is due to increased scope of fabrication business. Fabrication has contributed 51 percent to the total revenues in FY2018. STIPL operates as a supply chain facilitator for its clients and has been in the segment since 2008. The long standing presence in the industry has helped establishing long term relations and repeated orders from reputed clients, OEMs and Tier I suppliers of OEMs. Some of the clients such as L & T Limited are associated with the company since inception of paneling business. STIPL is a channel partner to L & T for supply of panels. Acuite expects the company to sustain the pace of growth over the medium term by maintaining strong relationships with customers.

Weaknesses

• Customer concentration risk:

The company faces high customer concentration risk with 82 percent of the revenues generated from 10 customers. Its major customers such as EMC Limited, EMI Transmission Limited and Larsen & Toubro Limited accounted for about 49 percent of its sales in FY2018. Other clients include Rolta India Limited, Omkar Speciality Chemicals limited, Trimax IT Infrastructure & Services Limited among others. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers. Acuite believes that any downward pressure on the credit profile of its customers or revision in sourcing policies is likely to have an adverse impact on STIPL's operations and profitability.

• Slender margins and subdued coverage indicators:

STIPL's operating margins stood at 4.53 percent in FY2018 (Provisional) as against 5.35 percent in FY2017. The profitability is impacted due to additional software development charges and marginal trading transactions in FY2018. The company has reported profit after tax (PAT) margins of 0.85 percent for FY2018 as against 0.47 percent in FY 2017. The net margins are thin reason being high financing cost. STIPL's financial risk profile stood moderate on the back of high total outside liabilities to tangible net worth and subdued coverage indicators. The tangible net worth stood at Rs.51.79 crore as on 31 March, 2018 (Provisional) as against Rs.44.43 crore as on 31 March, 2017 on account of retention of profits and infusion of equity by promoters. Unsecured loan of Rs.8.74 crore as on 31 March, 2018 is treated as quasi equity as it is subordinated to bank debt. The gearing stood moderate at 1.68 times as on 31 March, 2018 as against 1.56 times as on 31 March, 2017. The debt coverage indicators remained subdued in FY2018 as reflected in Interest Coverage Ratio (ICR) of 1.52 times in FY2018 (Provisional) as against 1.37 times in FY2017. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 3 times in FY2018 (Provisional) as against 2.50 times in FY2017.

• Working capital intensive operations:

The operations are working capital intensive as reflected in Gross Current Assets (GCA) of around 109 days in FY2018(Provisional) as against 152 days as on 31 March, 2017. The debtors outstanding in FY2018 (Provisional) were of 78 days as compared to 89 days in FY2017. The company held inventory of 29 days as on 31 March, 2018 as against 60 days as on 31 March, 2017. The company gets extended credit period from its suppliers. The average bank limit utilisation stood at around 94 percent for the last six months ended 31 April, 2018.

Outlook: Stable

Acuite believes STIPL will maintain a 'Stable' business and financial risk profile over the medium term on account of established track record of promoters in the industry. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining its capital structure and overall financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company faces headwinds in sustaining the growth in operations or maintaining profitability, or in case of deterioration in capital structure or overall financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	603.83	303.23	244.19
EBITDA	Rs. Cr.	27.33	16.21	10.97
PAT	Rs. Cr.	5.16	1.42	1.54
EBITDA Margin	(%)	4.53	5.35	4.49
PAT Margin	(%)	0.85	0.47	0.63
ROCE	(%)	19.89	14.32	12.64
Total Debt/Tangible Net Worth	Times	1.68	1.56	1.13
PBDIT/Interest	Times	1.52	1.37	1.39
Total Debt/PBDIT	Times	3.18	4.19	4.36
Gross Current Assets (Days)	Days	109	152	139

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

CARE, vide its press release dated April 05, 2018 had denoted the rating of Seasons Trade and Industry Private Limited as 'CARE BB/A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB+ / Stable

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About Acuité Ratings & Research:

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