

Press Release

Singhania And Sons Private Limited

D-U-N-S® Number: 91-862-9148

December 17, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 18.00 crore bank facilities of Singhania And Sons Private Limited. The outlook is '**Stable**'.

Incorporated in 1974 in Kolkata, SSPL is promoted by Mr. Pradeep Singhania, Mrs. Nisha Singhania, Mr. Karan Singhania and Mr. Nikhil Singhania. The company is engaged in trading of specialty chemicals and has its warehouse facilities at Kolkata (West Bengal), Noida (UP) and Bhiwandi (Maharashtra).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SSPL to arrive at the rating

Key Rating Drivers

Strengths

• Experienced management and established track record

SSPL has an established track record spanning over five decades in trading of specialty chemicals and commodities such as iron ore. The key promoter, Mr. Pradeep Singhania has extensive experience in trading of various commodities resulting in longstanding relationship with suppliers and customers. SSPL is the sole distributor for Grace Davison Engineered Material in India apart from being authorized distributor of reputed brands such as BASF, Huntsman, Cardolite and Taifeng Chemicals. Additionally, the clientele of SSPL consist of reputed brands such as Sun Pharmaceutical Industries Ltd, Ranbaxy Laboratories Limited, Dr. Reddy's, Berger Paints India Limited and Arvind Limited.

• Moderate financial risk profile

The financial risk profile of the SSPL is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood at Rs.16.95 crore in FY2018 as against Rs.14.57 crore. The gearing remained comfortable at 0.26 times as on March 31, 2018 as against 0.85 times in the previous year. The total debt of Rs.4.49 crore consist of long term borrowing of Rs.0.30 crore, short term borrowings of Rs.1.08 crore and unsecured loan of Rs.3.02 crore. The total outside liabilities against total net worth remained comfortable 0.84 times as on March 31, 2018 as against 1.07 times in the previous year. The debt protection metrics are healthy with interest coverage ratio (ICR) at 3.44 times and debt service coverage ratio at 3.06 times as on March 31, 2018. The working capital requirement remains subdued during the fourth quarter of the financial year due to lower imports and sales. This results in significantly lower utilization of fund based limits during this time as compared to the rest of the year. The same can be illustrated through average bank utilization level which stood at 74.46 percent during the first half of FY2018-2019 compared to only 8.64 percent during the year ended March 31, 2018.

Weaknesses

• Uneven revenue profile owing to trading nature of business

SSPL exhibits uneven revenue profile with operating revenue of Rs.57.72 crore in FY2018 as against

Rs.73.56 crore in FY2017. Further, the revenue stood at Rs.45.20 crore in FY2016. The increase in revenue was on account of successful bidding for government tender in FY2017. Going forward, the company ability to scale its operation in a sustainable manner and maintain profitability will remain a key sensitivity monitorable.

• Working capital intensive operations

The working capital operations are intensive marked by high Gross Current Asset (GCA) of 154 days in FY2018 as against 120 days in the previous year. The same is on account of elongated credit period of 51 days in FY2018 as against 38 days in FY2017 extended to customers. The company is required to maintain adequate stock resulting in inventory of 46 days in FY2018 as against 80 days in FY2017.

Outlook: Stable

Acuité believes that SSPL will maintain a 'Stable' outlook over the medium term owing to the promoters' vast experience and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the profitability profile deteriorates owing to forex fluctuation. .

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	57.72	73.56	45.20
EBITDA	Rs. Cr.	4.01	4.50	2.20
PAT	Rs. Cr.	2.39	2.64	0.36
EBITDA Margin	(%)	6.94	6.12	4.86
PAT Margin	(%)	4.13	3.59	0.80
ROCE	(%)	16.59	19.18	21.28
Total Debt/Tangible Net Worth	Times	0.26	0.85	0.68
PBDIT/Interest	Times	3.34	3.42	1.51
Total Debt/PBDIT	Times	1.07	2.69	3.57
Gross Current Assets (Days)	Days	154	120	187

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	7.50	ACUITE BB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB/Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+

PC limit of Rs 5.00 Crores is one way convertible to CC

^Post Shipment Credit, Foreign Documentary Bill Purchased (FDBP), Foreign Usance Bill Purchased (FUDBP) against LC is sublimit of packing credit limit up to Rs 2.50 Crore.

*** Guarantee (Performance /Financial) is sublimit Rs 2.25 Crore.

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About Acuité Ratings & Research:

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