

Press Release

Singhania and Sons Private Limited

D-U-N-S® Number: 91-862-9148



December 18, 2019

Rating Reaffirmed

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 reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) 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 (SSPL). The outlook is '**Stable**'.

Kolkata based, Singhania and Sons Private Limited (SSPL) was incorporated in 1947. Currently, SSPL is led by Mr. Pradeep Singhania and Mr. Karan Singhania. The company is engaged in trading of specialty chemicals and sole distributor of W.R. Grace Trading Limited. The company primarily imports from Germany, China, and Singapore, and sells to industries like, pharmaceuticals, paints and coating, textile, and cosmetics among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SSPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

SSPL was incorporated in 1947 by Late Mr. Purushottam Lal Singhania. The company is a part of Singhania Group. The group has a presence over six decades in distribution of specialty chemicals. The director, Mr. Pradeep Kumar Singhania has an experience of over four decades in the aforementioned line of business and is well supported by second line of generation, Mr. Karan Singhania. The long track record of operations and experience of management have helped the company to maintain healthy relationships with customers and suppliers.

Acuité believes that SSPL will sustain its existing business profile on the back of established track record of operations and experienced management.

• **Moderate financial risk profile**

The financial risk profile of SSPL is moderate marked by adequate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.18.93 crore as on 31 March 2019 as against net worth of Rs.16.95 crore as on 31 March 2018. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing levels of 0.85 times as on March 31, 2017. This has further improved to the current level of 0.50 times as on 31 March, 2019. The total debt of Rs.9.43 crore as on 31 March 2019 consists of working capital borrowings of Rs.7.09 crore, unsecured loans from promoters of Rs.1.93 crore and term loans of Rs.0.41 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) showed its peak levels at 1.07 times as on 31 March 2017; this has improved to 0.95 times as on 31 March 2019. The gearing is expected to remain on the same level on back of the increase in scale of operations.

The debt protection metrics are moderate marked by Interest Coverage Ratio (ICR) stood at 2.98 times for FY2019 as against 3.34 times for FY2018. The drop is due to the decline in operating margins of SSPL to 5.92 per cent in FY2019 from 6.94 per cent in FY2018, as SSPL is operating in trading segment. NCA/TD stood moderate at 0.24 times for FY2019. Further, Debt to EBITDA stood at 2.04 times for FY2019.

Weaknesses

• **Uneven trend of revenue and profitability**

SSPL has registered uneven trend in revenues under the period of study on account of trading nature of business and irregularity of orders from clients. The revenues of the company stood at Rs.61.93 crore in FY2019 against Rs.57.72 crore in FY2018 and decline from Rs.73.56 crore in FY2017. The operating margins have dropped to 5.92 per cent in FY2019 against 6.94 per cent in FY2018 and 6.12 percent in FY2017. Volatility in revenues and profitability are owing to competition, loss of clientele, irregular orders among others.

Acuité believes that improving its revenues and sustaining the profitability margins are key rating sensitivity factors over the medium term.

• **Working capital intensive operations**

SSPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 184 days for FY2019 as against 154 days for FY2018. The GCA days are dominated mainly on account of high inventory holding period of 115 days in FY2019 as against 80 days in FY2018. The debtor days are in range of 30-60 for the past three years, because of extended credit period to some of its key customers.

Acuité expects the operations of the company to remain working capital intensive on account of the high inventory holding period.

Liquidity Position: Adequate

The company has adequate liquidity profile marked by adequate cash accruals of Rs.2.29 crore for FY2019, while its maturing debt obligations were Rs.0.07 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2-3.00 crore during 2020-22, against repayment obligation in the range of Rs.0.10-0.12 crore over the same period. The company's working capital operations are intensive in nature, marked by GCA days of 184 in FY2019. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on 31 March 2019. The current ratio stood at 1.99 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Rating Sensitivities

- Substantial improvement in scale of operation, while maintaining profitability margin.
- Elongation in working capital cycle.

Outlook: Stable

Acuité believes that SSPL will continue to benefit over the medium term from its established track record of operations and experienced management. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and profitability metrics from the current levels, while improving its working capital intensity. Conversely, the outlook may be revised to 'Negative', if company's revenue and profitability declines, or the financial risk profile deteriorates owing to increased working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	61.93	57.72
PAT	Rs. Cr.	1.97	2.39
PAT Margin	(%)	3.19	4.13
Total Debt/Tangible Net Worth	Times	0.50	0.26
PBDIT/Interest	Times	2.98	3.34

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

None

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Dec-2018	Cash Credit#	Long Term	7.50	ACUITE BB / Stable (Assigned)
	Packing Credit##	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	3.25	ACUITE BB / Stable (Assigned)
	Letter of Credit###	Short Term	2.25	ACUITE A4+ (Assigned)

#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.

*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 (Reaffirmed)
PC/PCFC##	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB / Stable (Reaffirmed)
Letter of credit###	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Reaffirmed)

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##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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