

## Press Release

### Singhanian and Sons Private Limited

January 08, 2021

#### Rating Upgraded & Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.18.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB/ Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.18.00 Cr bank facilities of Singhanian and Sons Private Limited (SSPL). The outlook is '**Stable**'.

The upgrade in the rating reflects the stabilization in operations with improvement in the revenues in FY2020. The rating also factors the comfortable financial risk profile with comfortable debt protection metrics, future plans to add new products in the portfolio to improve revenues & margins over the medium term and adequate liquidity position marked by judicious utilization of the working capital facilities.

#### About the Company

Kolkata-based, SSPL was incorporated in 1947. The company is engaged in trading of specialty chemicals, commodity chemicals and life-science chemicals and is the sole authorized dealer of W.R. Grace Trading Limited. The company primarily imports from Germany, Malaysia, US, China, etc. and sells to industries like pharmaceuticals, paints and coating, textile, and cosmetics, among others. The company is promoted by Mr. Pradeep Kumar Singhanian, Mrs. Nisha Singhanian, Mr. Karan Singhanian and Mr. Nikhil Singhanian.

#### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of SSPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- Established track record of operations and experienced management**

SSPL was incorporated in 1947 by Late Mr. Purushottam Lal Singhanian. The company is a part of Singhanian Group. The group has a presence over six decades in distribution of specialty chemicals. Currently, the operations are handled by the director, Mr. Pradeep Kumar Singhanian, who has an experience of over four decades in the aforementioned line of business and is well supported by second line of generation, Mr. Karan Singhanian and Mr. Nikhil Singhanian also have more than a decade of experience in the similar line of business. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers.

Acuite believes that the promoters' extensive experience and healthy relationship with customers and suppliers is expected to support its business risk profile over the medium term.

- Comfortable financial risk profile**

SSPL's financial risk profile is comfortable marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW) and comfortable debt protection metrics. The gearing improved and stood at 0.15 times as on 31 March, 2020 against 0.50 times as on 31 March, 2019. TOL/TNW stood at 0.59 times as on 31 March, 2020 against 0.95 times as on 31 March, 2019. Tangible net worth of the company stood modest at Rs.20.92 Cr as on 31 March, 2020 against Rs.18.93 Cr as on 31 March, 2019. The total debt of Rs.3.20 Cr as on 31 March, 2020 mainly consists of long-term debt of Rs.0.37 Cr, short-term debt of Rs.1.70 Cr and unsecured loans stood of Rs.1.13 Cr. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood comfortable at 4.92 times and 0.70 times respectively in FY2020, while DSCR stood at 3.43 times in FY2020. The company reported cash accruals of Rs.2.25 Cr in FY2020 against

moderate repayment obligations of Rs.0.14 Cr. Further, annual cash accruals are expected to be in the range of about Rs.2.08 Cr-Rs.3.14 Cr in the medium term against moderate repayment obligations in the range of Rs.0.23 Cr-Rs.0.30 Cr.

Acuite believes that the financial risk profile of the company is expected to remain comfortable on account of modest net worth backed by healthy cash accruals vis-à-vis moderate debt repayment obligations and comfortable debt protection metrics.

## Weaknesses

### • Working capital intensive operations

Despite improvement, SSPL's working capital operations continues to be intensive marked by Gross Current Asset days (GCA) of 146 days in FY2020 against 184 days in FY2019 owing to high receivable days. The debtors' days were recorded at 68 days in FY2020 against 53 days in FY2019. The inventory days were recorded at 61 days in FY2020 against 115 days in FY2019. Further, the inventory holding policy followed by the company is 30-60 days to cater to spot orders. However, working capital bank lines remains utilized at ~75-80 percent for last nine months ended in December, 2020.

Acuite believes that the working capital operations are expected to remain on similar lines with respect to the receivable cycle; which will remain a key rating sensitivity factor.

### • High competition and fluctuating margins

The company operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India. The operating margins stood at 5.55 percent in FY2020 against 5.92 percent in FY2019; this is majorly due to dollar fluctuations and increase in the inland transportation cost.

## Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

## Material Covenants

None

## Liquidity: Adequate

SSPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals of Rs.2.25 Cr-Rs.2.58 Cr during the last three years through 2018-20 against moderate repayment obligations in the range of Rs.0.07 Cr-Rs.0.14 Cr. It is expected to generate cash accruals in the range of Rs.2.08 Cr- Rs.3.14 Cr over the medium term, against moderate repayment obligations in the range of Rs.0.23 Cr-Rs.0.30 Cr. Unencumbered cash and bank balances stood at Rs.0.22 Cr as on 31 March, 2020 with a current ratio of 2.56 times in the same period. The working capital limits remains utilized at ~75-80 percent for last nine months ended December, 2020.

Acuite believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

## Outlook: Stable

Acuite believes that SSPL will maintain a 'Stable' outlook over the medium term owing to 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 from the current levels while maintaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in the financial risk profile, working capital cycle and liquidity.

## About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	70.84	61.93
PAT	Rs. Cr.	1.99	1.97
PAT Margin	(%)	2.81	3.19
Total Debt/Tangible Net Worth	Times	0.15	0.50
PBDIT/Interest	Times	4.92	2.98

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Dec-2019	Cash Credit	Long Term	7.50	ACUITE BB/ Stable (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.25	ACUITE BB/ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
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)

### \*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 (Upgraded from ACUITE BB/ Stable)
Packing Credit^	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Letter of Credit**	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ (Reaffirmed)

\*PC limit of Rs.5.00 Cr is one way convertible to CC.

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

\*\*Guarantee (Performance /Financial) is sublimit of LC to the extent of Rs.2.25 Cr.

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### About Acuité Ratings & Research:

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