

Press Release

Singhania and Sons Private Limited

March 30, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.75	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	7.25	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

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

Rationale for rating reaffirmation:

The reaffirmation in the rating reflects the long track record of operations of the company & experienced management, expected improvement in the revenues & margins going forward, moderate financial risk profile, adequate liquidity position and future plans for expanding business. The rating, however, continues to remain constrained on account of working capital intensive operations and impact on revenues & margins in FY2021 due to Covid-19.

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 Singhania, Mr. Karan Singhania and Mr. Girdhari Lal Khemani.

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 Singhania. The company is a part

of Singhania Group. The group has a presence over six decades in distribution of specialty chemicals. Currently, the operations are handled by the directors, Mr. Pradeep Kumar Singhania, Mr. Karan Singhania and Mr. Girdhari Lal Khemani who have over four decades of experience in the similar line of business. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers.

Acuité 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.

>Moderate financial risk profile

Financial risk profile of SSPL is moderate marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 0.34 times as on March 31, 2021 against 0.15 times as on March 31, 2020. TOL/TNW stood at 0.78 times as on March 31, 2021 against 0.59 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.21.98 crore as on March 31, 2021 against Rs.20.92 crore as on March 31, 2020. Of the total debt of Rs.7.45 crore as on March 31, 2021, long-term debt stood at Rs.0.67 crore, short-term debt stood at Rs.5.69 crore and unsecured loans stood at Rs.1.09 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 4.33 times and 0.17 times respectively in FY2021; while DSCR stood at 2.33 times in FY2021.

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

Weaknesses

>Working capital intensive operations

SSPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 223 days in FY2021 against 146 days in FY2020. The inventory days stood at 126 days in FY2021 against 61 days in FY2020. The company maintains an inventory holding policy of 60 days. The inventory days increased in FY2021, majorly due to the impact of Covid-19. Since, there was uncertainty, the company consciously took decision to maintain higher inventory levels to cater to spot orders. However, there are no dead stock or cancelled orders. The debtors' days stood at 78 days in FY2021 against 68 days in FY2020. The credit period given to customers is around 30-60 days. The debtors' days increased in FY2021 since there was a delay in receiving the payment from their customers. The creditors' days stood at 70 days in FY2021 against 49 days in FY2020. The company enjoys a credit period of 60 days from the Bill of Lading (BL) date from its suppliers when the materials are imported and the company makes the payment in advance or enjoys a credit period of 30-60 days from invoice date when the materials are purchased domestically. The creditors' days increased in FY2021 due to back-to-back payment mechanism followed by the management. However, working capital limits remains utilized at 20-30 percent for last 6 months ended February, 2022.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

>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 5.33 percent in FY2021 against 5.55 percent in FY2020; this is majorly due to fluctuations in raw material prices.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

SSPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.1.25 crore – Rs.2.29 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.10 crore – Rs.0.14 crore during the same period. It is expected to generate cash accruals in the range of Rs.2.65 crore – Rs.3.34 crore over the medium term, against moderate repayment obligations in the range of Rs.0.04 crore – Rs.0.12 crore. Unencumbered cash and bank balances stood at Rs.0.07 crore as on March 31, 2021 with a current ratio of 2.23 times in the same period. The working capital limits remained utilized at ~20-30 percent for last trailing 6 months ended February, 2022.

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

Outlook: Stable

Acuité believes that SSPL 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' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its 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 its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	56.61	70.84
PAT	Rs. Cr.	1.06	1.99
PAT Margin	(%)	1.87	2.81
Total Debt/Tangible Net Worth	Times	0.34	0.15
PBDIT/Interest	Times	4.33	4.92

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jan 2021	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.25	ACUITE BB+ Stable (Reaffirmed)
18 Dec 2019	Cash Credit	Long Term	7.50	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.25	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	5.00	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB+ Stable Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4+ Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB+ Stable Reaffirmed

Note:

1. Packing Credit includes sublimit of Post Shipment Credit, Foreign Documentary Bill Purchased (FDBP), Foreign Usance Documentary Bill Purchased (FUDBP) against LC up to Rs.2.50 Crore.
2. Letter of Credit includes sublimit of Guarantee (Performance /Financial) to the extent of Rs.2.25 Crore.

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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