

## Press Release

Singhanian And Sons Private Limited

January 18, 2023



### Rating Reaffirmed & Withdrawn

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Bank Loan Ratings	10.75	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	7.25	-	ACUITE A4+   Reaffirmed & Withdrawn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Total Withdrawn Quantum (Rs.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

### Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on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 **Singhanian and Sons Private Limited (SSPL)**.

The rating has been withdrawn on account of the request received from the company, and NOC received from the banker as per Acuite's policy of withdrawal of ratings

#### Reason for reaffirmation

The rating reaffirmation factors in the stable operating and financial performance of the company marked by the improvement in the operating income, improvement in operating margins and moderate financial risk profile. The rating also takes into consideration the PAN India presence of the company. The company also has presence in Bangladesh Nepal, Sri Lanka etc. The company's revenue improved and stood at Rs. 82.06 Cr in FY22 as against Rs. 56.61 Cr in FY21. The company has recorded the turnover of Rs. 50 Cr till December 2022. The improvement in the revenues in FY2023 is driven by the increase in the demand for the products due to addition of new products such as titanium di-oxide, gum resin etc. The ratings are however constrained by the working capital-intensive operations of the company along with the susceptibility of the margins to raw material price fluctuations.

#### About the Company

Kolkata-based, SSPL is incorporated in the year 1947. Promoted by Mr. Pradeep Kumar Singhanian, Mr. Karan Singhanian and Mr. Girdhari Lal Khemani. 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 has warehouses located at Kolkata, Delhi NCR, Ahmedabad and Mumbai.

#### 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**

- **Experienced management and established track record of operation**

SSPL was incorporated in the year 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 each of whom have more than four decades of experience in the similar line of business. The top management is ably supported by a well-qualified and experienced team of the second line of management. Its customer base has no significant revenue concentration. The company has reputed clientele such as Sun Pharmaceuticals Inds Ltd Dewas, Unichem Laboratories Ltd etc.

Acuité believes that SSPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

- **Moderate financial risk profile**

SSPL has a moderate financial risk profile marked by average tangible net worth of Rs. 26.06 Cr as on March 31, 2022 as against Rs. 21.98 Cr as on March 31, 2021. The overall gearing level of the company stood low at 0.12 times as on March 31, 2022 as against 0.34 times as on March 31, 2021 due to low levels of debt. The total debt of the company stood at Rs. 3.15 Cr as on March 31, 2022, it comprises of short-term debt of Rs. 2.83 Cr and long term debt of Rs. 0.32 Cr. The coverage ratios of the company stood above average with Interest Coverage Ratio (ICR) of 8.06 times in FY22 as against 5.13 times in FY21. The Debt Service Coverage Ratio (DSCR) stood at 8.06 times in FY22 as against 2.58 times in FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company improved and stood at 0.84 times as on March 31, 2022 as against 0.78 times as on March 31, 2021.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term

### **Weaknesses**

- **Working capital intensive operations**

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 175 days as on March 31, 2022 as against 223 days as on March 31, 2021. The inventory levels have improved and stood at 73 days as on March 31, 2022 as against 126 days as on March 31, 2021. The company maintains an inventory holding policy of ~60 days. The debtor days stood at 82 days in FY22 as against 78 days in FY21. The average credit period allowed to the customers is around 30-60 days. The creditor days of the company stood at 60 days in FY22 as against 70 days in FY21. 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 average utilization of the fund based working capital limits of the company remains moderate around ~40-50 percent for the six months ended December, 2022.

- **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 fluctuated between 5-6.5 percent for the last three years ended FY2022, primarily 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

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs. 1-5 Cr in FY21-22 against negligible maturing debt obligation over the same period. The average utilization of the fund based working capital limits of the company remains moderate around ~40-50 percent for the six months ended December, 2022. The company maintains cash and bank balance of Rs. 0.66 Cr as on March 31, 2022. The current ratio stood at 1.99 times as on March 31, 2022.

### Outlook

Not Applicable

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	82.06	56.61
PAT	Rs. Cr.	4.43	1.06
PAT Margin	(%)	5.40	1.87
Total Debt/Tangible Net Worth	Times	0.12	0.34
PBDIT/Interest	Times	8.06	5.13

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

CRISIL vide its Press Release dated 11th July, 2022 has declared Singhania and Sons Private Limited as "Issuer Not Co-operating"

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2022	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)
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)

## Annexure - Details of instruments rated

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

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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