

Press Release

Sendoz Commercials Private Limited

April 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 30.00 crore bank facilities of Sendoz Commercials Private Limited (SCPL). The outlook is '**Stable**'.

Incorporated in 1999, Kolkata based SCPL is a private company promoted by Mr. Kishor Kumar Poddar, Mr. Siddharth Poddar and Mr. Anurag Poddar. The company is primarily engaged in trading of coal apart from providing transportation, logistics and liaising work for companies with coal linkages.

Sendoz Impex Limited (SIL), incorporated in 1994, is a closely held public limited company promoted by Mr. Laxman Poddar, Mr. Kishor Kumar Poddar, Mr. Siddharth Poddar and Mr. Anurag Poddar among others. The company is engaged in trading of domestic coal. Additionally, SIL is also engaged in coal transportation and logistics services.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of SIL and SCPL, together known as Sendoz Group, to arrive at this rating. The consolidation is on account of similar line of business, fungible cash flows, common clientele and same management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced promoters and established position in coal trading business**

The group has a longstanding presence in coal trading business with the key promoter Mr. Laxman Poddar, being associated with coal trading business for over four decades and having expertise in coal mining, coal movement and coal transportation. He is a member of the Executive Committee of the Indian Coal Merchant Association, the largest association for coal handling agents in India and member of the Indian Coal Mining Federation. The group's established position is marked by its presence across major coal producing states including Jharkhand, Orissa, West Bengal and Chhattisgarh. The network includes over 8 stockyards in vicinity to coal mines including at Dankuni (West Bengal), Rajathgarh (Odisha), Bilaspur (Chhattisgarh) and Barkakhana (Jharkhand). The group benefits from its established position in terms of procurement, quality of coal and freight cost.

- **Diversified and reputed clientele**

More than 40 percent of Sendoz group sales are towards public sector entities -MSTC Limited (ACUITE A+/ACUITE A1+) and West Bengal Mineral Development & Trading Corp. Ltd, resulting in low counterparty risk. The group further caters to reputed players in thermal, steel and mineral industry including DB Power Limited and Utkal Alumina International Ltd (subsidiary of Hindalco Group) apart from coal traders such as Godavari Commodities Ltd (ACUITE A-/Stable/ACUITE A2+).

- **Comfortable financial risk profile**

The financial risk profile of the group is comfortable marked by healthy net worth, low gearing and moderate debt protection metrics. The net worth stood comfortable at Rs. 78.45 crore as on 31 March, 2018 as against Rs. 67.10 crore as on 31 March, 2017. Acuite has treated Rs 26.00 Crore of unsecured loan from directors as quasi equity to arrive at the net worth. The gearing declined marginally from 0.69 times as on 31 March, 2017 to 0.85 times as on 31 March, 2018 on account increase in long term borrowings availed by the group. The same is expected to improve in medium term with repayment of long term

debt. The total debt of Rs. 66.51 crore outstanding as on 31 March, 2018 comprises of long term debt of Rs. 6.57 crore term loan, Rs. 49.03 crore as a working capital facility from the bank and Rs 7.80 crore of unsecured loans from promoters. The interest coverage ratio improved to 2.04 times in FY2018 from 1.46 times in FY2017. The debt service coverage ratio remained comfortable at 1.65 times in FY2018 as against 1.31 times in the previous year. NCA/TD ratio has remained moderate at 0.13 times in FY2018.

Weaknesses

• Moderate working capital nature of operations

Sendoz's working capital requirement improved but continued to remain large reflected by gross current assets (GCAs) of 164 days as on March 31, 2018 as against 287 days as on March 31, 2017. The same was on account of credit of 104 days extended to customers as on March 31, 2018 as against 145 days in the previous year. Additionally, the GCA days were dominated by other current assets of Rs 71.29 Crore as on March 31, 2018. Other current assets primarily consist of advances extended to creditors against coal purchased. However, since Sendoz group deals with reputed client base; the risk related to non-payment of dues is mitigated to a considerable extent. Additionally, the management is in the process of securing a substantial portion of its orders to client such as MSTC Limited against letter of credit. The same is expected sustain the improvement in its working capital cycle over the medium term, backed by steady contribution of LC-backed orders to its revenue.

• Susceptibility to economic downturns in end user industry

Business risk profile of Sendoz group remains susceptible to economic downturn in end user industry, though the same is partly mitigated by a diverse customer base across different sectors. Nevertheless, a subdued economic scenario can adversely impact the scale and working capital cycle of Sendoz group.

Liquidity Profile

Sendoz group's liquidity profile is adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.68 to 8.59 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.07-3.11 crore over the same period. The bank limit in the group remains utilized at 90 percent during the last 6 months period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.3.34 crore as on March 31, 2018. The current ratio of the group stands healthy at 1.47 times as on March 31st; 2018. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that Sendoz will maintain 'Stable' outlook over the medium term from on back of its established position, promoter's long standing experience in the industry and established relation with its customers. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company registers lower than expected growth in revenue and profitability or in case of significant elongation in working capital cycle.

About the Group

Sendoz group was founded in 1994 by Mr. Laxam Poddar. The group includes Sendoz Impex Limited (SIL) and Sendoz Commercials Private Limited (SCPL). The group is engaged in trading of coal, coal transportation and logistics apart from providing liaising services to companies with coal linkages. The group has presence across major coal field mines with over 15 offices and 4 stockyards in state of Jharkhand, Madhya Pradesh, West Bengal, Odisha and Chhattisgarh.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	588.01	180.35	171.60
EBITDA	Rs. Cr.	23.31	11.74	11.37
PAT	Rs. Cr.	7.44	2.34	2.23
EBITDA Margin	(%)	3.96	6.51	6.63
PAT Margin	(%)	1.27	1.30	1.30
ROCE	(%)	17.85	11.65	25.74

Total Debt/Tangible Net Worth	Times	0.85	0.69	0.96
PBDIT/Interest	Times	2.04	1.46	1.43
Total Debt/PBDIT	Times	2.75	3.74	3.66
Gross Current Assets (Days)	Days	164	287	284

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>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.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	23.00	ACUITE BBB-/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3

*Bank Guarantee of Rs 3.35 is a sublimit of Letter of Credit Facility

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