Acuite RATINGS & RESEARCH

Press Release

Sendoz Commercials Private Limited

August 02, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BBB | Stable | Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A2 | Reaffirmed
Bank Loan Ratings	7.25	ACUITE BBB | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	37.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of **'ACUITE BBB' (read as ACUITE t riple B)** and also reaffirmed the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs. 37.25 crore bank facilities of Sendoz Commercials Private Limited (SCPL). The outlook is **'Stable'**.

The rating is driven by the sustainable growth in the business risk profile of the group marked by satisfactory scale of operations, and improved PAT margins. The financial risk profile have remained comfortable, with gearing below unity and healthy debt coverage indicators, because of the consistent increase in the networth, and healthy cash accruals over the years. The appropriate liquidity position of the group, which is shown by unutilized lines of fundbased limits, also provides reassurance to the rating. The rating also factors in reputed client profile of the group supported by healthy and sustained volume growth in production, coupled with increase in coal prices and increasing demand in the industry, providing revenue visibility over the medium term. These strengths are however, partly offset by the working capital intensity in the operations and susceptibility to changing demand and pricing conditions.

About Company

Incorporated in 1999, Kolkata based Sendoz Commercials Private Limited (SCPL), is promoted by Mr. Kishor Kumar Poddar, Mr. Siddharth Poddar and Mr. Anurag Poddar. It is primarily engaged in the trading of coal, apart from providing transportation, logistics, and liaising work for companies with coal linkages.

About the Group

SIL, incorporated in 1994 in Kolkata, is 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

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has consolidated the business and financial risk profiles of Sendoz Commercial Private Limited (SCPL) and Sendoz Impex Limited (SIL) together referred to as the 'Sendoz Group' (SG). The consolidation is in view of the common management, strong operational linkages between the entities and similar line of business.

Key Rating Drivers

Strengths

Extensive experience of the promoters and established relationship with customers

Established in 1994, the group has been operational for more than two decades. The key promoter Mr. Laxman Poddar, have more than five decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers across the country. The clientele majorly consists of clients having high credit worthiness, and reputations in the market, including Dalmia Cement Limited, Maithan Power Limited to name a few. Acuité acknowledges the experienced management and believes, that this will benefit the company in the long run with steady operational growth.

Significant improvement in scale of operation

The group had witnessed a sharp decline in scale of operation during FY21, due to a disruption in operation during the pandemic outbreak. However, the top line improved significantly in FY22, as the group has achieved revenues of Rs.805.15 Cr in FY2022 (prov.) compared to revenues from FY2021 of Rs. 270.75 Cr, mainly driven by both improvement in volume and realizations. The growth in revenue is driven by high demand from end user industry like iron and steel, power cement etc. Acuité believes the scale of operation will improve further in the medium term, aided by the increasing demand for coal in the domestic market. The EBITDA per tonne has been consistently increasing since FY2020. However, the EBITDA margin of the group moderated in FY22 to 6.75 per cent in FY2022 (provisional) as compared to 7.93 per cent in the previous year, due to high input prices and higher freight cost for transporting coal, due to the turbulent diesel prices. The PAT margins stood at 3.41 per cent in FY2022 (provisional), compared to the 2.47 per cent as on FY2021. The ROCE levels stood at a comfortable level of about 24.68 per cent in FY2022 (provisional), against the 11.43 per cent in FY2021. Acuité believes that the stable market position and diversified clientele will mitigate the impact of decline, if any, in demand in any one sector. While coal trading volume will be supported by continued demand from the power sector, sustenance of the coal trading volumes will remain key monitorable.

Healthy financial risk profile

The group's average financial risk profile is marked by healthy networth base, comfortable gearing and debt protection metrics. The tangible net worth of the group improved to Rs.155.47 crore as it is on March 31, 2022 (Provisional) from Rs.82.94 crore on March 31, 2021, due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.45.06 Cr on March 31, 2022 (Provisional) as part of networth, as these loans are subordinated to bank debt. Gearing of the group also improved as it stood below unity at 0.54 as on March 31, 2022 (Provisional) as compared to 1.39 as on March 31, 2021. The group has been financially promoted, via unsecured loans to cover working capital, and debt obligations. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.81 times as on March 31, 2022 (Provisional) as against 3.46 times as on March 31, 2021. The comfortable debt protection metrics of the group is marked by Interest Coverage Ratio at 3.23 times as on March 31, 2022 (Provisional) and Debt Service Coverage Ratio at 1.96 times as on March 31, 2021. The surge in earnings in FY2022 supported by high demand and higher accruals has led to further improvement in the credit metrics. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.34 times as on March 31, 2022 (Provisional). Acuité believes that the company's financial risk profile will remain healthy, and stable, with no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operation

The working capital management of the group is marked by Gross Current Assets (GCA) of 187 days in 31st March 2022 (provisional) as compared to 467 days in 31st March 2021. The high level of GCA days is on account of high level of current assets due to significant advances given to suppliers. Further, the debtor period also stood high at 103 days as on 31st March 2022 (provisional) as compared to 259 days as on 31st March 2021. Due to crippling coal shortage and high demand, the revenues are significantly higher during Q3 and Q4 of FY22. Hence, the group was saddled with high debtor days leading to high working capital intensity during the financial year end. However, the inventory period stood comfortable at 20 days in 31st March 2022 (provisional) as compared to 55 days in 31st March 2021. Acuité believes that the working capital operations of the group will remain at same level given the nature of the industry over the medium term.

Volatility in coal prices and changes in regulatory policy

Business risk profile remains exposed to fluctuations in coal prices and the regulatory policy of the government. This has led to fluctuation in operating margins over the past decade.

Rating Sensitivities

- Ramp up in scale of operations while sustaining operating profitability
- Identifying new customers
- Reduction in debtors level

Material Covenants

None

Liquidity Position: Strong

The group's liquidity is strong marked by steady net cash accruals of Rs.28.84 Cr as on March 31, 2022 (provisional) as against long term debt repayment of Rs.6.32 Cr over the same period. The current ratio stood comfortable at 1.65 times as on March 31, 2022 (provisional) as compared to 1.52 times as on March 31, 2021. The fund based limit remained moderately utilized at 35 per cent over the six months ended April, 2022. The cash and bank balances of the group stood at Rs.2.38 Cr as on March 31, 2022 (provisional) as compared to Rs.3.71 Cr as on March 31, 2021. However, working capital management of the group is moderate marked by Gross Current Assets (GCA) of 199 days in 31st March 2022 (provisional) as compared to 485 days in 31st March 2021. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook:

Acuité believes that the outlook of the group will remain 'Stable' over the medium term on account of sustainable growth in the financial performance of the group, marked by its satisfactory scale of operations, and improved profitability margins,would help, given the comfortable capital structure and strong debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. Conversely, the outlook may be revised in case of weakening of its business risk profile, lower coal offtake and deterioration in profitability margins thereby impacting the liquidity and debt protection indicators of the group.

Other Factors affecting Rating
Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	805.15	270.75
PAT	Rs. Cr.	27.48	6.68
PAT Margin	(%)	3.41	2.47
Total Debt/Tangible Net Worth	Times	0.54	1.39
PBDIT/Interest	Times	3.23	1.90

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any Other Information
None

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Trading Entitie: 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jul 2022	Cash Credit	Long Term	23.00	ACUITE BBB | Stable (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A2 (Reaffirmed)
30 Jun 2022	Letter of Credit	Short Term	7.00	ACUITE A2 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	23.00	ACUITE BBB | Stable (Upgraded from ACUITE BB)
28 Jul 2021	Cash Credit	Long Term	23.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Issuer not co-operating*)
28 Apr 2020	Cash Credit	Long Term	23.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
03 Apr 2019	Cash Credit	Long Term	23.00	ACUITE BBB- | Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BBB | Stable | Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	7.25	ACUITE BBB | Stable | Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2 | Reaffirmed

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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.