

Press Release

Nandan Saha Steel Private Limited

July 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 70.00 crore bank facilities of NANDAN SAHA STEEL PRIVATE LIMITED (NSPL). The outlook is '**Stable**'.

Established in 1987 as a proprietorship concern in West Bengal and later converted as a private limited concern in 2003, NSPL initially commenced its operations with trading in cement and local TMT bars. In 1997, the firm became an authorised distributor of Tata Steel Limited for TMT bars of Tata Tiscon brand across the districts including North 24 Parganas, Nadia and Murshidabad. Over the period, the company has diversified its product profile and currently trades in concrete blocks; consumer electronics and other goods such as steel doors and pigments. The company is also an authorised distributor of Tata International Limited, Tata Pigments Limited and Samsung consumer electronics. It is also a C&F agent of ACC Cement in different areas of West Bengal.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of NSPL to arrive at the rating.

Key Rating Drivers:

Strengths

Long track record of operations and experienced promoters

The promoter, Mr. Nandan Saha has an experience of over two decades in distributorship business. The company has been an authorised distributor of Tata Steel Limited for Tata Tiscon brand for past 16 years. Acuité believes that the promoter's extensive experience has helped the company to establish long term relations with customers and suppliers and the same is reflected in steady growth in the scale of operations.

Diversified product profile

The company has a diversified product portfolio that includes trading in construction materials such as TMT bars, cement, concrete blocks; consumer electronics and mobile handsets, tractor, bicycle and other goods including steel doors and pigments.

With an aim to diversify their operations, the company started distributorship of Samsung mobiles and consumer electronics from FY 2017-18. Subsequently, the mobile distributorship business of Samsung was discontinued since January, 2019 and the company started their own retail electronics chain under the brand 'Tech Adda', specialising in mobile phones. Currently, NSPL has 48 Tech Adda showrooms spread across West Bengal and parts of Odisha.

The company's diversified product range, coupled with diversified revenue stream, reduces dependence on the performance of a specific business segment. However, the company's ability to stabilise its operations of new venture of Tech Adda will be a key rating sensitivity.

Weaknesses

Low profitability

The operating margin stood low at 2.66 per cent in FY2019 (Provisional), though the operating margins have shown an increasing trend from 1.21 per cent in FY2017 to 2.66 per cent in FY2019 (Provisional). Net profitability stood low at 0.56 per cent in FY2019 (Provisional) on account of higher interest cost due to increased working capital borrowing. Thus, low profitability of the company further exerts pressure on its working capital requirement.

Moderate financial risk profile

The company's financial risk profile is average marked by moderate net worth, high gearing and modest debt protection metrics. The net worth of the company stood at Rs.14.77 crore as on 31 March, 2019 (Provisional) as against Rs.10.34 crore in the previous year. The gearing deteriorated to 4.09 times as on 31 March, 2019 (Provisional) from 3.87 times in the previous year on account of higher working capital requirement. Total debt of Rs.60.48 crore as on March 31, 2019 (Provisional) consists of Rs.1.29 crore of term loan and Rs.59.19 crore of short term borrowings. TOL/TNW stood at 5.32 times in FY2019 (Provisional). The debt protection metrics are modest marked by interest coverage ratio (ICR) of 1.58 times and debt service coverage ratio (DSCR) of 1.40 times as on March 31, 2019 (Provisional).

Liquidity Position

NSPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs. 2.34 crore in FY2019 (Provisional) against no long term debt obligations in FY2018. The company has moderate working capital cycle marked by gross current asset (GCA) days of 84 in FY2019 (Provisional). The current ratio stood at 1.11 times as on March 31, 2019 (Provisional) and the cash credit limit of the company remains utilised at 97 percent during the last twelve months ended May, 2019. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes that NSPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long term association with Tata Group. The outlook may be revised to 'Positive' if the company substantially improves its revenues and operating margins while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and margins deteriorate or if the financial risk profile weakens due to elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	345.18	272.35	190.60
EBITDA	Rs. Cr.	9.19	5.36	2.31
PAT	Rs. Cr.	1.94	1.46	0.77
EBITDA Margin	(%)	2.66	1.97	1.21
PAT Margin	(%)	0.56	0.54	0.40
ROCE	(%)	14.07	15.67	28.83
Total Debt/Tangible Net Worth	Times	4.09	3.87	0.76
PBDIT/Interest	Times	1.58	1.74	2.12
Total Debt/PBDIT	Times	6.55	7.42	2.90
Gross Current Assets (Days)	Days	84	85	55

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities- <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/criteria-fin-ratios.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	Ratings/Outlook
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB/Stable (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Assigned)
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/Stable (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Assigned)
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.29	ACUITE BB/Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.71	ACUITE BB/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Priyanka Rathi Analyst - Rating Operations Tel: 033-6620-1210 priyanka.rathi@acuiteinratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.