

Press Release

Nandan Saha Steel Private Limited

July 02, 2020



Rating reaffirmed

Total Bank Facilities Rated	Rs. 70.00 crore
Long Term Rating	ACUITE BB/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BB' (read as ACUITE double B)** and the short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the above mentioned bank facilities of Nandan Saha Steel Private Limited(NSSPL). The outlook is **'Stable'**.

The entity began its operations as a proprietorship concern in 1987 and later in 2003, the constitution was changed to a closely held company. The company is an authorised distributor of Tata Steel Limited (for Tata Tiscon and Tata Pravesh brands), Tata International Limited (for Tata Stryder brand), Tata Pigments Limited and consumer electronics in West Bengal. There are 150 dealers for Tata Tiscon within the network across districts including North 24 Paraganas, Murshidabad and Nadia (West Bengal). The company has its warehouse of 40,000 square feet for storage of their products in Chandpara situated in West Bengal. The company is promoted by Mr. Nandan Saha and his wife, Sutapa Saha. The company has retail chain named Tech Adda, specialising in mobiles, accessories and smart gadgets and providing customer service and assistance. The brands included in this segment of business are Oppo, Vivo, Caravan, Redmi and Orimo. The company currently has 48 stores of which 42 stores are in West Bengal and 6 stores are in Odisha.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

The promoter, Mr. Nandan Saha has an experience of over two decades in distributorship business. The company has been an authorized distributor of Tata Steel Limited for Tata Tiscon brand since 16 years. Acuité believes promoter's extensive experience has helped the company to establish healthy relationships with their customers and suppliers.

• Diversified product profile

The company has a diversified product portfolio that includes trading in TMT bars, consumer electronics, bicycles and other goods like steel doors and pigments. With an aim to diversify their operations, the company forayed into retail electronics chain, Tech Adda, specialising in mobiles and consumer electronics. The company's diversified product range is helping in reducing dependence on the performance of a specific business segment. Acuité believes the company's diversified product profile will support the revenues growth of the group going forward.

Weaknesses

• Moderate financial risk profile

The company's financial risk profile is marked by moderate net worth, high gearing and modest debt protection metrics. The net worth of the company stood at Rs.20.63 crores as on March 31, 2020(Provisional) as against Rs.13.52 crores in the previous year due to retention of profits and infusion of capital of Rs.5.22 crores. The gearing stood at 2.28 times as on March 31, 2020(Provisional) as compared to 4.39 times as on March 2019. Total debt of Rs.47.07 crores as on March 31, 2020(Provisional) consists mainly of short term borrowings of Rs 45.49 crores ,long term debt of Rs.1.10 crores, unsecured loans from directors of Rs. 0.38 crores and maturing obligation of Rs.0.10 crore. TOL/TNW(Total Outside Liabilities/Total Net Worth) stood at 3.18 times as on March 31, 2020(Provisional) as compared to 6.11 times as on March 31,2020 . The modest debt protection metrics is marked by interest coverage ratio (ICR) of 1.68 times in FY2020(Provisional) as compared to 1.60 times in FY2019 and debt service coverage ratio (DSCR) of 1.52 times for FY2020(Provisional) as against 1.34 times for FY2019. Going forward, the financial risk profile is expected to remain the same in the medium term backed by consistent accruals and absence of capital expenditure plans in the medium term.

• Thin profitability margins

Operating margin stood low at 2.89 per cent in FY 2020(Provisional) as compared to 2.62 per cent in FY2019 due to trading nature of operations of the company. Even, profit after tax (PAT) stands low at 0.52 per cent in FY2020(Provisional) as compared to 0.19 per cent in FY2019.

Rating Sensitivity

- Improvement in their capital structure
- Sustenance of their wide product mix

Material Covenants

None

Liquidity Profile

The company has adequate liquidity profile marked by moderate net cash accruals of Rs.3.05 crores for FY2020 (Provisional) as against maturing obligation of Rs.0.10 crore over the same period. The company has moderate working capital operations as marked by gross current asset (GCA) of 75 days in FY2020(Provisional) as compared to 86 days in FY2019. The current ratio stood modest at 1.12 times as on March 31, 2020(Provisional). The company has availed of moratorium till August 2020.The bank limits are utilized at 83 per cent over six months ended on May, 2020. The unencumbered cash and bank balances of the company stood at Rs.0.61 crores as on March 31, 2020 (Provisional). Acuite believes that going forward the company will maintain adequate liquidity position backed by moderate cash accruals.

Outlook: Stable

Acuite believes that NSSPL will maintain 'Stable' outlook over the medium term on account of the experienced management and diversified product profile. The outlook may be revised to 'Positive' in case of significant improvement in its financial risk profile and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration of the capital structure and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	354.53	272.35
PAT	Rs. Cr.	0.67	1.46
PAT Margin	(%)	0.19	0.54
Total Debt/Tangible Net Worth	Times	4.39	3.87
PBDIT/Interest	Times	1.60	1.74

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

ICRA vide its press release dated 19th November, 2019 has mentioned the rating for NSSPL of 'ICRA B+/Stable/A4+Issuer not cooperating'.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
16-July-2019	Channel Financing	Short Term	20.00	ACUITE A4+/Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BB/Stable (Assigned)
	Channel Financing	Short Term	10.00	ACUITE A4+/Stable (Assigned)
	Working capital demand loan	Long Term	2.00	ACUITE BB/Stable (Assigned)
	Channel Financing	Short Term	10.00	ACUITE A4+/Stable (Assigned)
	Channel Financing	Short Term	5.00	ACUITE A4+/Stable (Assigned)
	Term Loan	Long Term	1.29	ACUITE BB/Stable (Assigned)
	Proposed Bank Facility	Long Term	8.71	ACUITE BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Channel Financing	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB/Stable (Reaffirmed)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)
Working capital demand loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/Stable (Reaffirmed)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)
Channel Financing	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Term Loan	18/05/2018	Not Applicable	10/10/2028	1.29	ACUITE BB/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.71	ACUITE BB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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