

Press Release

Nandan Saha Steel Private Limited

August 27, 2021



Rating Reaffirmed and Assigned

Total Bank Facilities Rated	Rs. 65.34 crore
Long Term Rating	ACUITE BB/ Stable (Assigned)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs 65.34 crore bank facilities of Nandan Saha Steel Private Limited. The outlook is '**Stable**'.

The entity began its operations as a proprietorship concern in 1987 and later in 2003, the status got changed to a company. Currently, the company trades in construction materials like TMT bars, consumer electronics and mobile handsets and other goods like steel doors and pigments.

About the company

The company was incorporated in the year 2003 and is an authorised distributor of Tata Steel Limited (for Tata Tiscon and Tata Pravesh brands), Tata International Limited (for Tata Strider brand), Tata Pigments Limited, Samsung Mobiles and consumer electronics. It comprises of around 150 dealers for Tata Tiscon within the network across districts including North 24 Parganas, Murshidabad and Nadia. The company has its warehouse of 40,000 sqft for storage of steel in Chandpara (West Bengal). The company is promoted by Mr. Nandan Saha and his wife, Sutapa Saha.

The company also deals in consumer electronics and 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 Oromo. The company has 48 stores in total of which 42 stores are in West Bengal and 6 stores are in Odisha

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Nandan Saha Steel Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record and experienced promoters**

The promoter, Mr. Nandan Saha has an experience of over two decades in distributorship business. The company has been an authorized distributorship of Tata Steel Limited for Tata Tiscon brand since 16 years. Acuité believes 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 like TMT bars, cement, concrete blocks, consumer electronics and mobile handsets, tractor, bicycle and other goods like steel doors and pigments.

With an aim to diversify their operations, the company started distribution of Samsung Mobiles and consumer electronics and forayed into retail electronics chain, Tech Adda, specialising in mobiles and consumer electronics. 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 stabilize its operations from new venture into Tech Adda will be a key rating sensitivity.

Weaknesses

- **Below average financial risk profile**

The company's moderate financial risk profile is marked by modest net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.23.10 crores as on March 31, 2021(Provisional) as against Rs. 20.84crores in the previous year ended March 31, 2020 due to retention of profits and infusion of capital of Rs.5.22 crores. The gearing stood at 2.54 times as on March 31, 2021(Provisional) as compared to 2.27 times as on March 2020. Total debt of Rs.58.74crores as on March 31, 2021(Provisional) consists mainly of short-term borrowings only. TOL/TNW(Total Outside Liabilities/Total Net Worth) stood at 3.16 times as on March 31, 2021(Provisional) as compared to 3.33 times as on March 31,2020. The modest debt protection metrics is marked by interest coverage ratio (ICR) of 1.65 times in FY2021(Provisional) as compared to 1.68 times in FY2020 and debt service coverage ratio (DSCR) of 1.50 times for FY2021(Provisional) as against 1.56times for FY2020. 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 profit margins**

The operating margin of the company marginally increased to 2.94 per cent in FY2021(Provisional) as compared to 2.90per cent in FY 2020. due to trading nature of operations of the company. Even, profit after tax (PAT) stands low at 0.48 per cent in FY2021 (Provisional) as compared to 0.56 per cent in FY2020.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle
- Reduction in order flow

Material Covenants

None

Liquidity position: Stretched

The company's liquidity position is stretched marked by net cash accruals of Rs. 2.60 crores in FY2021(Provisional) as against no long-term debt repayment over the same period. The current ratio stood moderate at 1.18 times as on 31st March, 2021(Provisional) as compared to 1.19 times as on 31st March, 2020. The cash and bank balances of the company stood at Rs.2.14crores in FY2021(Provisional) as compared to Rs.0.97 crores in FY2020. However, the fund-based limit remained utilised at about 98 per cent over the thirteen months ended June, 2021. The company availed a Covid loan of Rs.3.00 crores and also availed a loan moratorium. The company's moderate working capital is reflected from high Gross Current Assets (GCA) of 109 days in FY2021(provisional) as compared to 77 days in FY2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals

Outlook: Stable

Acuité believes that NSSPL will maintain 'Stable' outlook over the medium term on account of the experienced management and demand prospects of the sector. The outlook may be revised to 'Positive' in case adequate ramp up in sales is demonstrated. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue resulting in lower accruals as compared to debt repayment obligations.

About the Rated Entity Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	354.05	354.50
PAT	Rs. Cr.	1.99	0.66

PAT Margin	(%)	0.56	0.19
Total Debt/Tangible Net Worth	Times	2.27	4.39
PBDIT/Interest	Times	1.68	1.60

Status of non-cooperation with previous CRA

Not Applicable

Any other information: Acuité has received the latest No Default Statement (NDS) from the rated entity,

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
02-07-2020	Channel Financing	Long term	12.00	ACUITE A4+(Reaffirmed)
	Cash Credit	Long term	13.00	ACUITE BB/Stable (Reaffirmed)
	Channel Financing	Short term	10.00	ACUITE A4+ (Reaffirmed)
	Working capital demand loan	Long Term	2.00	ACUITE BB/Stable (Reaffirmed)
	Channel Financing	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Channel Financing	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.29	ACUITE BB/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	16.71	ACUITE BB/Stable (Reaffirmed)
16-07-2019	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

Instrument Information

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Channel Finance	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)
DBS Bank	Channel Finance	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Assigned)
Kotak Mahindra Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.34	ACUITE BB/Stable (Assigned)
Axis Bank	Channel Finance	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ (Assigned)
Axis Bank	CECSGL	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/Stable (Assigned)
ICICI Bank	Channel Finance	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Standard Chartered Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research

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