

## S.B. Sahoo & Co. Private Limited

Instrument	Amount	Rating Action
Fund Based Limit – Cash Credit	Rs. 7.00 crore	[ICRA]B+ reaffirmed

ICRA has re-affirmed the long-term rating of **[ICRA]B+** (pronounced ICRA B plus)<sup>1</sup> assigned to the Rs. 7.00 crore<sup>2</sup> cash credit facility of S.B. Sahoo & Co. Pvt. Ltd. (SBSCPL / the company). Earlier, the rating was suspended in the month of November 2015 in the absence of the requisite information from the company, which currently stands revoked.

The re-affirmation of the rating factors in SBSCPL's weak financial profile as reflected by nominal profits and cash accruals as inherent in the trading business, highly leveraged capital structure and weak debt coverage indicators coupled with the company's susceptibility to inventory price risk, given that the purchases of cement and steel are not backed by confirmed orders. On account of sizeable stock maintained along with credit period extended to dealers, the working capital intensity remains high for the company resulting in a tight liquidity position. The rating also incorporates its small scale of current operations despite product diversification in the current financial year. The rating further takes note of the low bargaining power against established suppliers, highly competitive and fragmented nature of the trading business, which is characterized by low entry barriers and in turn keeps margins under pressure. The rating however positively factors in the long track record of the promoters in the cement and steel trading business along with established relationship with reputed suppliers, which ensures regular supply of raw materials.

Going forward, increasing scale of operations and managing of working capital requirements will remain key sensitivities from a credit perspective.

### Company Profile

Incorporated in November 2010, S.B. Sahoo & Co. Pvt. Ltd. (SBSCPL) is currently engaged in the trading of cement, fly ash bricks and steel products like TMT bars and rods. The company is an authorized dealer for reputed cement, bricks and steel product manufacturers. In 2011, the company took over the entire business of the partnership firm, M/s S.B. Sahoo which was in the same line of business since 2005.

### Recent Results

During the first nine months of 2015-16, the company has reported a turnover of Rs. 24.00 crore (provisional). SBSCPL reported a net profit of Rs. 0.09 crore on an operating income of Rs. 32.86 crore during 2014-15, as against a net profit of Rs. 0.07 crore on an operating income of Rs. 32.86 crore during 2013-14.

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*For further details please contact:*

Analyst Contacts:

**Mr. Jayanta Roy**, (Tel. No. +91-33-22876617 / 22800008)  
jayanta@icraindia.com

Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91 33 7150 1100)  
jayantac@icraindia.com

<sup>1</sup> For complete rating scale and definitions please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.

<sup>2</sup> 100 lakh = 1 crore = 10 million



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500