

Press Release
Sibco Overseas Private Limited
September 08, 2020
Rating Assigned



Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs 5.50 crore bank facilities of Sibco Overseas Private Limited (SOPL). The outlook is '**Stable**'.

Sibco Overseas Private Limited (SOPL) is engaged into trading of advertisement materials such as PVC Flex, sun board etc. The company is a distributor of reputed companies such as SRF Limited, Arvind Limited among others. In addition, the company imports certain unbranded materials and sells under its brand name. Currently, Mr Sunil Agarwal manages the day-to-day operations of the company.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SOPL to arrive at the rating.

Key Rating Drivers

Strengths

Long operational track record and association with corporates

SOPL was incorporated in 1993 and was engaged into trading of steel products. In 2009, the company was taken over by Mr. Sunil Kumar Agarwal and Gautam Dugar, who are present shareholders of the company. Currently, the company managed by Mr Sunil Kumar Agarwal and Mr Gautam Dugar. Thereafter, the company changed its product line to advertisement materials. SOPL is a distributor of corporates like SRF Limited, Arvind Ltd, etc. The company also has its distribution channel, which includes 40 channel partners spread across 9 states of India such as West Bengal, Assam, Jharkhand, Bihar etc.

Improvement in profitability

The company's profitability had improved, which is reflected from its EBITDA margin of 3.99 percent during FY20 (Provisional) as against 3.48 percent in FY19 and 2.47 percent in FY18. Acuite believes profitability will continue to remain at a similar level in the medium-term because of distributorship nature of business.

Weaknesses

Modest financial profile

The modest financial risk profile of the SOPL is marked by its low net worth, comfortable gearing ratio and modest debt protection metrics. The net worth stood at Rs. 3.17 Cr. as on 31st March'2020(Provisional) as compared to Rs 2.77 Cr. in the previous year. The gearing of the company stood at 0.43 times as on 31st March 2020(Provisional) as against 0.80 times as on 31st March, 2019 driven by low utilization of working capital limits during year-end. Debt level includes Rs 0.84 crore of short term debt, Rs 0.52 crore of car & unsecured loan. Interest coverage ratio stood at 1.93 times in FY20 (Provisional) as against 1.93 times in the previous year. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.44 times in FY2020 (Provisional) as compared to 0.21 times in the previous year. Going forward, Acuité believes the financial risk profile to remain similar over the medium term.

Modest scale of operation

The scale of operation of the company always stood at a modest level as revenue stood at Rs 30.55 in crore in FY20(Provisional) as against Rs 32.28 crore in FY19. This decline was on account of the ongoing pandemic, which led to a fall in demand for advertising materials. Acuite believes the scale of operation will continue in a modest level in the medium term.

Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins.

Material Covenant

None

Liquidity Profile: Adequate

The company has adequate liquidity profile as reflected from net cash accrual of Rs 0.59 crores in FY20 (Provisional) as against current maturity of Rs.0.01 crores. The current ratio stood at 1.33x during FY20 in comparison to the previous year, which stood at 1.26x. Cash & Bank stood at Rs1.02 crore in FY20. In addition, working capital utilization has been comfortable as average utilization stood at around 53 percent during 12 months ended July 2020. Acuite believes the liquidity profile of the company will remain comfortable level.

Outlook: Stable

Acuité believes the outlook of SOPL will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the company is able to improve its profitability margins along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in financial or liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	32.28	28.25
PAT	Rs. Cr.	0.30	0.24
PAT Margin	(%)	0.91	0.83
Total Debt/Tangible Net Worth	Times	0.80	1.32
PBDIT/Interest	Times	1.93	1.89

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

None

Any other information

Not Applicable

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)

NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.70	ACUITE BB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE A4+ (Assigned)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Tonoy Banerjee Analyst - Rating Operations Tel: 033-6620-1206 tonoy.banerjee@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research 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.