

## Press Release

### Sanna Enterprises

February 03, 2021



#### Rating reaffirmed

|                                    |                                  |
|------------------------------------|----------------------------------|
| <b>Total Bank Facilities Rated</b> | Rs. 20.00 crore                  |
| <b>Long Term Rating</b>            | ACUITE BB/Stable<br>(Reaffirmed) |
| <b>Short Term Rating</b>           | ACUITE A4+<br>(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 four plus**) on the Rs.20 crore bank facilities of Sanna Enterprises. The outlook is '**Stable**'.

Established in 2003, Sanna Enterprises (SE) is a Nagaland based proprietorship firm promoted by Ms. Sanchana Gupta. The firm is engaged in trading of food grains and other rationing items, and supplies food items such as pulses, rice, milk, tea, coffee, sugar, refined oil and cereals to private players and even to government departments, namely, The Director General Assam Rifles, Indian Army and Indian Navy. Additionally, the firm has been engaged in trading of solar equipment and street lights.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management and established track record of operations**

The proprietorship firm had begun its operations since 2003 and has a long track record of about seventeen years in the field of trading of food grains and other rationing items. Ms. Sanchana Gupta, the proprietress, has an experience of about seventeen years in the trading industry. Acuité believes the long track record of operations and experience of management has helped the firm to develop a healthy relationship with its customers and suppliers and will continue to support the business risk profile over the medium term.

- **Efficient working capital management**

The firm's working capital management is marked by Gross Current Asset (GCA) days of 95 in FY2020 compared to 57 days in FY2019. The increase in GCA days emanates from high other current assets of Rs.5.55 crores as on March 31, 2020 compared to Rs.1.14 crores as on March 31, 2019. The other current assets consist of mainly advances to suppliers of Rs.5.42 crores as on March 31, 2020. The inventory holding stood comfortable at 16 days in FY2020 as compared to nil days in FY2019. The firm does not hold inventory, as the sales are mostly tender based, which are executed only after finalization of the work orders. The debtor days also stood comfortable at 60 days in FY2020 as against 55 days in FY2019. Acuité expects the operations of the firm to remain at similar levels over the medium term on account of the lean inventory levels maintained by the firm and limited credit period extended to its customers.

## Weaknesses

- **Below average financial risk profile**

The firm's below average financial risk profile is marked by modest net worth, moderate gearing and moderate debt protection metrics. The net worth of the firm increased to Rs.12.87 crores as on March 31, 2020, compared to Rs.12.17 crores on March 31, 2019. The firm's gearing stood moderate at 1.63 times on 31 March, 2020 as against 1.94 times as on 31 March, 2019. The debt of Rs.20.95 crores mainly consists of unsecured loans of Rs.14.40 crores, overdraft of Rs.4.51 crores and vehicle loan of Rs.1.63 crores and maturing obligations of Rs.0.41 crores as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.14 times as on March 31, 2020 as against 4.84 times as on March 31, 2019. The moderate debt protection metrics of the firm is marked by Interest Coverage Ratio at 1.35 times in FY2020 as against 2.50 times in FY2019 and Debt Service Coverage Ratio (DSCR) at 1.01 times in FY2020 as against 1.58 times in FY2019. The NCA/TD(Net Cash accruals to total debt) stood at 0.02 times in FY2020. Acuité believes that going forward the financial risk profile of the firm will remain at similar levels over the medium term backed by steady accruals and in the absence of any major debt funded capital expenditure plans.

- **Exposure to agro climatic risk and competitive nature of industry**

The firm operates in trading of the agricultural commodities. The availability and prices of the agricultural commodities are highly dependent on the agro climatic conditions. Hence, the operations and profitability of SE are exposed to agro climatic risk. Additionally, this is a highly competitive industry due to the presence of multiple players which results in intense competition from both organised as well as unorganised players in the industry.

## Rating Sensitivity

- Improvement in the financial risk profile
- Sustenance of working capital operations

## Material Covenants

None

## Liquidity Profile: Moderate

The firm's liquidity position is moderate marked by net cash accruals of Rs.0.46 crores in FY2020 against debt repayments of Rs.0.44 crores during the last financial year. The fund based limit remains utilized at 83 percent over six months ended on December, 2020. SE has not availed loan moratorium but has availed COVID loan of Rs.0.70 crores. However, the current ratio of SE stood comfortable at 2.92 times as on March 31, 2020 as compared to 1.51 times as on March 31, 2019. The unencumbered cash and bank balances stood at Rs.0.88 crores as on March 31, 2020. Acuité believes that the liquidity of the firm will remain at similar levels on account of absence of debt funded capital expenditure plan over the medium term.

## Outlook: Stable

Acuité believes that the firm will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and moderate working capital management. The outlook may be revised to 'Positive' if the firm achieves substantial improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

## About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 122.73        | 408.83        |
| PAT                           | Rs. Cr. | 0.21          | 0.64          |
| PAT Margin                    | (%)     | 0.17          | 0.16          |
| Total Debt/Tangible Net Worth | Times   | 1.63          | 1.94          |
| PBDIT/Interest                | Times   | 1.35          | 2.50          |

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

Not Applicable

**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/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

| Date      | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook               |
|-----------|---------------------------------|------------|------------------|-------------------------------|
| 26-Nov-19 | Overdraft                       | Long Term  | 7.00             | ACUITE BB/Stable (Reaffirmed) |
|           | Proposed secured overdraft      | Long Term  | 3.00             | ACUITE BB/Stable (Reaffirmed) |
|           | Bank Guarantee                  | Short Term | 7.00             | ACUITE A4+ (Reaffirmed)       |
|           | Proposed Bank Guarantee         | Short Term | 3.00             | ACUITE A4+ (Reaffirmed)       |
| 01-Aug-19 | Overdraft                       | Long Term  | 5.00             | ACUITE BB (Indicative)        |
|           | Proposed secured overdraft      | Long Term  | 5.00             | ACUITE BB (Indicative)        |
|           | Bank Guarantee                  | Short Term | 4.50             | ACUITE A4+ (Indicative)       |
|           | Proposed Bank Guarantee         | Short Term | 4.50             | ACUITE A4+ (Indicative)       |
| 23-May-18 | Overdraft                       | Long Term  | 5.00             | ACUITE BB/Stable (Assigned)   |
|           | Proposed secured overdraft      | Long Term  | 5.00             | ACUITE BB/Stable (Assigned)   |
|           | Bank Guarantee                  | Short Term | 5.50             | ACUITE A4+ (Assigned)         |
|           | Proposed Bank Guarantee         | Short Term | 4.50             | ACUITE A4+ (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               |
|-----------------------------|------------------|----------------|----------------|-------------------------------|-------------------------------|
| Overdraft                   | Not Applicable   | Not Applicable | Not Applicable | 7.00                          | ACUITE BB/Stable (Reaffirmed) |
| Proposed long term facility | Not Applicable   | Not Applicable | Not Applicable | 3.00                          | ACUITE BB/Stable (Reaffirmed) |

|                              |                |                |                |      |                         |
|------------------------------|----------------|----------------|----------------|------|-------------------------|
| Bank guarantee               | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A4+ (Reaffirmed) |
| Proposed short term facility | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A4+ (Reaffirmed) |

### Contacts

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### About Acuité Ratings & Research:

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