

Press Release

Sunita Impex Private Limited

May 09, 2019



Rating Assigned

Total Bank Facilities Rated	Rs 11.00 crore
Long Term Rating	ACUITE B/ Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs 11.00 crore bank facilities of Sunita Impex Private Limited. The outlook is '**Stable**'.

Sunita Impex Private Ltd (SIPL) was established as a partnership firm i.e. 'M/s Sunita Textile & Engineer' in 1974 by the Sonika family of Kolkata, West Bengal. The firm was converted to private limited company on June 26, 1991 with its current name. Since its inception, SIPL has been engaged in manufacturing and export of readymade garments and trading of diversified products. The trading product includes machinery & spare part and engineering goods.

Analytical Approach:

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

Key Rating Drivers:

Strengths:

Experienced management and long track record of operation

SIPL is engaged in the business of manufacturing readymade garments and trading of diversified products since 1974. The director of the company Mr. Sushil Kumar Sonika and Mr. Sunil Sonika have over three decades of experience in similar line of operation. They are also assisted by Ms Usha R. Sonika (Director) who is also having over two decades of experience in same line of business. The company is benefited due to wide experience of the promoters. The long experience of the promoters in the industry supports the business risk profile of the company. Being in the same industry for such a long time, it has been able to build a satisfactory client base.

Moderate scale of operation

Though the company has started its operation from 1974, the scale of operation of the company stood moderate at Rs.29.83 crore in FY2018 as compared to Rs.22.52 crore in FY2017. The company has booked Rs. 32.01 crore in FY2019 (Prov.)

Weaknesses

Average financial risk profile

The financial risk profile of the company is marked by low Net worth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs6.25 crore in FY2018 as it increased from Rs.6.22 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood high at 1.51 times in FY2018 as it increased from 1.19 times in FY2017. The total debt of Rs.9.47 crore consist of long term loan of Rs. 0.09 crore, short term debt of Rs.7.76 crore and unsecured loan from promoters of Rs.1.62 as on 31st March 2018. The interest coverage ratio (ICR) of the company stood moderate at 1.62 times in FY2018 as compared to negative 1.43 times in FY2017. The debt service coverage ratio (DSCR) of the company stood low at 0.47 times in FY2018 as compared to negative 0.31 times in FY2017. The net cash accruals against the total debt stand low at 0.05 times in FY2018 as compared to negative 0.15 times in FY2017.

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 195 days in 2017-18, as compared to 186 days in 2016-17. These high GCA days emanates from high debtor days of 90 in FY2018 compared to 101 days in FY2017. The inventory days are also stands moderate at 66 days in FY2018 as against of 42 days in the previous year.

Liquidity profile:

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 0.43 crore in FY2017-18, while its maturing debt obligation of Rs.0.03 crore in FY2017-18. The moderate liquidity of the company has also marked by 100 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 195 in FY 2018.

Outlook:

ACUITÉ believes that the firm will maintain its stable business risk profile on the bank of the management's extensive experience in the textile industry and its established relationships with customers. The outlook may be revised to positive in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to negative in case significant decline in revenues and accruals or in case of adverse nature condition.

About the Rated Entity Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.83	22.52	37.86
EBITDA	Rs. Cr.	1.28	(1.56)	0.90
PAT	Rs. Cr.	0.04	(1.63)	0.13
EBITDA Margin	(%)	4.30	(6.94)	2.39
PAT Margin	(%)	0.12	(7.23)	0.34
ROCE	(%)	7.58	(9.37)	5.20
Total Debt/Tangible Net Worth	Times	2.33	1.68	2.07
PBDIT/Interest	Times	1.62	(1.43)	1.76
Total Debt/PBDIT	Times	6.47	(7.42)	6.92
Gross Current Assets (Days)	Days	195	186	182

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

None

Any other information

None

Applicable Criteria

- Trading entities- <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)
FDB	Not Applicable	Not Applicable	Not Applicable	2.64	ACUITE A4 (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)
FDB	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE A4 (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE B/Stable (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	1.08	ACUITE B/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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