

Press Release

Sunita Impex Private Limited

July 21, 2020



Rating reaffirmed

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

Rating Rationale

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

Sunita Impex Private Ltd was established as a partnership firm with the name 'M/s Sunita Textile & Engineer' in 1974 by the Sonika family of Kolkata, West Bengal. The firm was converted to a private limited company in June, 1991 with its current name. Since its inception, SIPL has been engaged in manufacturing and export of readymade garments and trading of engineering goods. The company has a plant situated at Bangalore operating at an installed capacity of 1 million pieces per annum. The readymade garments and engineering goods are sold to countries including France, Bangladesh, Ivory Coast and Ethiopia.

Analytical Approach

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

Key Rating Drivers

Strengths

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

SIPL is engaged in the business of manufacturing readymade garments and trading of engineering goods since 1974. The directors of the company Mr. Sushil Kumar Sonika and Mr. Sunil Sonika have over four decades of experience in a similar line of operation. Acuité believes that the extensive experience of the management has enabled SIPL to establish healthy relationships with suppliers and customers.

Weaknesses

- **Average financial risk profile**

The company's financial risk profile is marked by low net worth, moderate gearing and moderate debt protection metrics. The net worth of the company stood at Rs.6.62 crores as on March 31, 2020(Provisional) as against Rs.6.51 crores in the previous year due to retention of profits. The gearing stood at 1.36 times as on March 31, 2020(Provisional) as compared to 1.65 times as on March 31, 2019. Total debt of Rs.9.01 crores as on March 31, 2020(Provisional) consists of mainly short term borrowings of Rs. 6.87 crores and unsecured loans from directors of Rs. 1.91 crores. TOL/TNW(Total Outside Liabilities/Total Net Worth) stood at 1.76 times as on March 31, 2020(Provisional) as compared to 2.34 times as on March 31,2019. The debt protection metrics is marked by interest coverage ratio (ICR) of 1.99 times in FY2020 (Provisional) as compared to 1.98 times in FY2019. The NCA/TD (Net cash accruals/ Total debt) stood at 0.06 times in FY2020(Provisional) compared to 0.07 times in FY2019. Going forward, the financial risk profile is expected to remain the same in the medium term backed by moderate net cash accruals in the medium term.

• Modest scale of operations

The revenues of the company have remained largely flattish in the past two years until FY2020 (provisional). The turnover has been between Rs.31.69 crores to Rs.31.55 crores during the same period. Going forward, the ability of the company to improve its scale of operations will be a key rating sensitivity factor.

Rating Sensitivity

- Improvement in the financial risk profile
- Steady increase in the scale of operations

Material Covenants

None

Liquidity Profile: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals of Rs.0.54 crores for FY2020 (Provisional) and as against maturing obligation of Rs.0.17 crore over the same period. The net cash accruals are expected to be ranging from Rs.0.52 crore to Rs. 0.54 crores over the medium term. The company has working capital intensive operations as marked by Gross Current Asset (GCA) of 138 days in FY2020(Provisional) as compared to 169 days in FY2019. The current ratio stood modest at 1.23 times as on March 31, 2020(Provisional). The company has not availed of loan moratorium. The unencumbered cash and bank balances of the company stood at Rs.0.11 crores as on March 31, 2020 (Provisional). Acuité believes that going forward, the company will maintain the same liquidity position backed by modest cash accruals and working capital intensive operations.

Outlook: Stable

Acuité believes that SIPL will maintain a 'Stable' outlook on account of extensive experience of the management. The outlook may be revised to 'Positive' in case of a significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a significant dip in revenues, further, leading to a deterioration of its accruals and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	31.69	29.35
PAT	Rs. Cr.	0.26	0.04
PAT Margin	(%)	0.82	0.14
Total Debt/Tangible Net Worth	Times	1.65	1.47
PBDIT/Interest	Times	1.98	1.63

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

CRISIL vide its press release dated 18th June, 2020 has mentioned the rating of SIPL to 'CRISIL B-/Stable/A4Issuer not cooperating'.

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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
09-May-2019	Packing Credit	Short Term	1.50	ACUITE A4 (Assigned)
	FDB	Short Term	2.20	ACUITE A4 (Assigned)
	Packing Credit	Short Term	1.50	ACUITE A4 (Assigned)
	FDB	Short Term	2.64	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.33	ACUITE B/Stable (Assigned)
	Proposed Long Term	Long Term	1.08	ACUITE B/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.75	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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
FDB	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE A4 (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
FDB	Not Applicable	Not Applicable	Not Applicable	3.97	ACUITE A4 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE B/Stable (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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