

Press Release

Sunita Impex Private Limited

January 19, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.08	ACUITE B Stable Reaffirmed	-
Bank Loan Ratings	10.95	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	11.03	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating to '**ACUITE B (read as ACUITE B)**' and the short term rating of '**ACUITE A4 (read as ACUITE A four)**' to the Rs. 11.03 crore bank facilities of Sunita Impex Private Limited. The outlook remains '**Stable**'.

The rating on SIPL takes cognizance of the long track record of operations of the company and experienced management. However, the rating is constrained by below average financial risk profile, working capital intensive nature of operations and modest scale of operations. The outlook is 'stable'.

About the Company

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

- Long operational track record and experienced management**

Sunita Impex Private Limited (SIPL) has been in the garment industry and trading of engineering goods for about five decades since 1974. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. Further, the key promoter of the company Mr. Sushil Kumar Sonika and Mr. Sunil Sonika have over four decades of experience in a similar line of operation. Acuité derives comfort from the long experience of the promoters.

Weaknesses

- **Modest Scale of Operations**

SIPL has a modest scale of operations as the company has achieved revenues of Rs.43.70 Cr in FY2021(Prov) as compared to revenues of Rs.31.26 Cr in FY2020. However, the operating performance of the company has been deteriorated in the current year, as it reported revenue of Rs.7.16 Cr as on 30th November 2021 (provisional) due to decrease in order book position. Acuité believes that the growth in the scale of operations will be a key rating monitorable.

- **Average financial risk profile**

The company's financial risk profile is average marked by low net worth, moderately high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.6.29 crores as on March 31, 2021(Provisional) as against Rs.6.14 crores in the previous year FY 2020. The gearing stood at 1.40 times as on March 31, 2021(Provisional) as compared to 1.34 times as on March 2020. Total debt of Rs.8.78 crores as on March 31, 2021(Provisional) consists of mainly short-term borrowings of Rs.6.67 crores. TOL/TNW (Total Outside Liabilities/Total Net Worth) stood at 2.52 times as on March 31, 2021(Provisional) as compared to 1.96 times as on March 31,2020 and modest debt protection metrics is marked by interest coverage ratio (ICR) of 1.36times in FY2021(Provisional) as compared to 1.13times in FY2020 and debt service coverage ratio (DSCR) of 1.26 times for FY2021(Provisional) as against 0.81 times for FY2020. Acuité believes going forward the financial risk profile is expected to remain in the same level in absence of any major debt funded capex plans

- **Working capital Intensive nature of operations**

The company has working capital intensive nature of operations marked by Gross Current Assets(GCA) of 130 days as on 31st March 2021(Prov) as against 154 days as on 31st March 2020. The GCA days are high on account of moderate debtor levels at 68 days as on 31st March 2021(Prov) as against 62 days as on 31st March 2020. However, the inventory levels have remained low at 23 days as on 31st March 2021(Prov) as against 53 days as on 31st March 2020. Acuite expects the operations of the company to remain working capital intensive as the company provides extended credit period to acquire new customers and expand its sales to new geography.

Rating Sensitivities

- Improvement in revenue growth and margins.
- Reduction in debt levels
- Elongation in working capital cycle.

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals of Rs.0.55 crores for FY2021(Provisional) and as against nil maturing obligation over the same period. The fund based limits remain utilized at about 58 per cent for period ended November 2021. The unencumbered cash and bank balances of the company stood at Rs.0.21 crores as on March 31, 2021 (Provisional). The company has not availed of moratorium but has availed of covid loan of Rs. 0.77 crore. The current ratio stood low at 1.13 times as on March 31,2021(Provisional). The company has intensive working capital operations as marked by gross current asset (GCA) of 130days in FY2021(Provisional) as compared to 154 days in FY2020. Acuité believes that going forward the company will maintain the same liquidity position backed by modest cash accruals.

Outlook: Stable

Acuité believes the company's outlook will remain stable over the medium term on account of vast experience of the promoters and long track record. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	43.70	31.26
PAT	Rs. Cr.	0.15	(0.37)
PAT Margin	(%)	0.35	(1.18)
Total Debt/Tangible Net Worth	Times	1.40	1.34
PBDIT/Interest	Times	1.36	1.13

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

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Sep 2020	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.20	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE B Stable (Reaffirmed)

	Bank Guarantee	Short Term	0.75	ACUITE A4 (Reaffirmed)
21 Jul 2020	Bank Guarantee	Short Term	0.75	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE B Stable (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	3.97	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.20	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
09 May 2019	Bills Discounting	Short Term	2.64	ACUITE A4 (Assigned)
	Packing Credit	Short Term	1.50	ACUITE A4 (Assigned)
	Packing Credit	Short Term	1.50	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.33	ACUITE B Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	2.20	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	1.08	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.08	ACUITE B Stable Reaffirmed

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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 8,850 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 Kanjurmarg, Mumbai.

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