

Press Release

Sunita Impex Private Limited

February 15, 2023



Rating Downgraded and Reaffirmed

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

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE B**' (read as **ACUITE B**) and reaffirmed 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 (SIPL). The outlook remains '**stable**'

Rating rationale

The rating downgrade considers the significant deterioration in the business risk profile buoyed by sharp decline in the scale of operations revenue and cash losses incurred by the company. The downgrade also factors in the below average financial risk profile of the company characterized by high gearing and stretched liquidity position of the company. However, these strengths are partially offset by the long track record of operations and experienced management of the company.

About the Company

Sunita Impex Private Limited 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, Sunita Impex Private Limited 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 term experience of the promoters.

Weaknesses

- **Downsizing scale of operations**

SIPL has a declining scale of operations as the company has achieved Rs.16.08 Cr in FY2022 as compared to revenues of Rs.43.10 Cr in FY2021. Moreover, the operating performance of the company has been deteriorated in the current year, as it reported revenue of Rs.7.62 Cr as on 30th November 2022 due to decrease in order book position. The profitability margins of the company are in negative. Acuité believes that the growth in the scale of operations will be a key rating monitorable.

- **Below average financial risk profile**

The company's financial risk profile is below average marked by weak net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.3.37 crores as on March 31, 2022 as against Rs.5.84 crores in the previous year FY 2021 due to retaining of profits. The gearing stood at 3.49 times as on March 31, 2022 as compared to 1.57 times as on March 2021. TOL/TNW (Total Outside Liabilities/Total Net Worth) stood at 4.96 times as on March 31, 2022 as compared to 2.22 times as on March 31, 2021. Going forward, the financial risk profile is expected to remain same backed by gradually improving cash accruals and in absence of capex plans the medium term.

- **Working capital intensive nature of operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 275 days for FY2022 as against 113 days for FY2021. The GCA days are high on account of high debtor levels at 114 days for FY2022 as against 59 days for FY2021. Further, the high inventory levels stood at 56 days for FY2022 as against 22 days for FY2021. Acuite expects the operations of the company to remain working capital intensive of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Deterioration in revenue growth and margins.
- Elongation in working capital cycle.

Material covenants

None

Liquidity Position Stretched

The company has stretched liquidity profile marked by continues losses for FY 2022. The fund based limits remain utilized at about 80 per cent for period ended October 2022. The unencumbered cash and bank balances of the company stood at Rs.0.34crores as on March 31, 2022. The current ratio stood low at 1.25 times as on March 31, 2022. The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 275 days for FY2022 as against 113 days for FY2021. Acuité believes that going forward the liquidity profile of the company will improve backed by gradually improving 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

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	16.08	43.10
PAT	Rs. Cr.	(2.48)	(0.29)
PAT Margin	(%)	(15.39)	(0.67)
Total Debt/Tangible Net Worth	Times	3.49	1.57
PBDIT/Interest	Times	(3.54)	1.12

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

Crisil vide its press release dated 21.11.2022, had reaffirmed the company to CRISIL B-/A4;INC

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jan 2022	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.20	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.75	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Packing Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE B Stable (Reaffirmed)

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	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)
	Bank Guarantee	Short Term	0.75	ACUITE A4 (Reaffirmed)

Annexure - Details of instruments rated

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

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Dipti Choudhary Management Trainee-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.