Press Release

Sukee Print Pack Llp

July 23, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** on the Rs. 12.00 crore bank facilities of SUKEE PRINT PACK LLP (SPP). The outlook is '**Stable**'.

Bangalore based, Sukee Print Pack LLP (SPP) was established in 2017 as a limited liability partnership firm. The firm's operations started in April 2018. The firm is engaged in offset printing and packaging services for reputed clients such as Wipro, MTR Food Products, among others. The asset & liability of Sukee Enterprises (SE) is transferred to SPP. The partners of the firm are Mr. V. S. Sukananda, Mr. V. S. Sumanth and Mr. V S Uttam.

About the Group

Sukee group includes Sukee Print Pack LLP (SPP) and Sukee Enterprises (SE). SE was established in 1968 by Mr. V.S. Sukananda and was engaged in offset printing and packaging services. Later in February 2017, SPP was incorporated and in April 2018 part of the assets and liabilities of SE was transferred to SPP. SPP started its operations from April 2018. Now, SE has no operations and only earns rental income from SPP of ~3,60,000 per month.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Sukee Print Pack LLP (SPP) and Sukee Enterprises (SE) together referred to as the 'Sukee Group' (SG). The consolidation is in view of the common management, part asset & liability takeover and financial synergies. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  SG was established in 1968, thus the group has an operational track record of over four decades in paper products industry. Mr. V. S. Sukananda (Managing Partner) has an experience of over five decades in the aforementioned line of business. The long track record of operations and experience of management have helped the group maintain healthy relationship with its customers and suppliers. Acuité believes that SG will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Reputed clientele**
  The group caters to reputed clientele such as Wipro and MTR Food Products to name a few. Further, the group has got orders from clients such as Van Heusen, Wipro and MTR Food Products, among others.

- **Moderate scale of operations**
  The operating income of SG has grown at a CAGR of 26 percent for the period FY2016-FY2019 (Provisional). The revenues increased to Rs. 31.75 crore in FY2019 (Provisional) from Rs. 30.57 crore in

FY2018 and Rs. 19.90 crore in FY2017. This is mainly on account of increased installed capacity as well as increased orders from existing and new customers.

Weaknesses

- **Average financial risk profile**
  The financial risk profile of the group stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of SG stood at Rs. 6.69 crore as on 31 March, 2019 (Prov.) as against Rs. 5.86 crore as on 31 March, 2018. The gearing (debt-equity) stood at 1.81 times as on 31 March, 2019 (Prov.) as against 1.17 times as on 31 March, 2018. The total debt of Rs. 12.14 crore as on 31 March, 2019 (Prov.) mainly comprises Rs. 5.14 crore of working capital borrowings, Rs. 2.72 crore of unsecured loans and Rs. 4.28 crore of long term debt. Further, the coverage indicators stood average marked by Interest Coverage Ratio (ICR) which stood at 3.09 times for FY2019 (Prov.) as against 3.97 times for FY2018. Debt to EBITDA stood high at 3.41 times in FY2019 (Prov.) as against 1.82 times in FY2018. Acuité believes that the financial risk profile of the group is expected to remain average backed by average net cash accruals and in the absence of any major debt funded capex in near to medium term.

- **Moderate working capital operations**
  The group has moderate working capital operations marked by Gross Current Assets (GCA) of 117 days for FY2019 (Provisional) as against 106 days for FY2018. The debtors stood at 74 days for FY2019 (Provisional) as against 69 days for FY2018. The inventory level stood at 12 days for FY2019 (Prov.). Further, the average bank limit utilization stood at ~96.04 percent for past six months ended June 2019. Acuité believes that the group's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Liquidity Position
SG has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 2.41 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 1.14 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 2.50 crore to Rs. 3.50 crore during 2020-22 against repayment obligation of around Rs. 0.50 crore to Rs. 1.00 crore during FY2020-22. The group has moderate working capital operations marked by GCA days of 117 days for FY2019 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 0.90 crore as on March 31, 2019 (Provisional). The current ratio stood at 0.92 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable
Acuité believes that SG will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and reputed clientele. The outlook maybe revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than- expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	31.75	30.57	19.90
EBITDA	Rs. Cr.	3.56	3.84	2.70
PAT	Rs. Cr.	1.40	1.89	0.66
EBITDA Margin	(%)	11.21	12.56	13.55
PAT Margin	(%)	4.41	6.20	3.34
ROCE	(%)	16.20	22.07	13.44
Total Debt/Tangible Net Worth	Times	1.81	1.17	1.94
PBDIT/Interest	Times	3.09	3.97	2.54
Total Debt/PBDIT	Times	3.41	1.82	3.20

Gross Current Assets (Days)	Days	117	106	164

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Consolidation of Companies- https://www.acuite.in/view-rating-criteria-22.htm
- Financial Ratios and Adjustments - https://www.acuite.in/view-rating-criteria-20.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 (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.30	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.45	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.54	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.71	ACUITE BB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Priyal Jain Analyst - Rating Operations Tel: 022-49294063 priyal.jain@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
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