Press Release

Sukee Print Pack Llp

October 05, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00crore
Long Term Rating	ACUITE BB/ Outlook:Stable (Reaffirmed)

* *Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the 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. SPP is engaged in offset printing and packaging services for pharmaceutical and edible goods industries. 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 is engaged in offset printing and packaging services. SPP was incorporated in April 2018 and part of the assets and liabilities of SE were transferred to SPP. SPP started its operations from April 2018. At present, SE has no operations and only earns rental income from SPP.

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**

SE was established in 1968; thus the group has an operational track record of over four decades in the 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 to maintain a healthy relationship with its customers and suppliers. Acuité believes that SG will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Above average financial risk profile**

The group has above average financial risk profile marked by modest net worth, low gearing and above average debt protection metrics. The net worth stood at Rs.7.12 crore (Prov) as on 31 March, 2020 as against Rs.6.67 crore on 31 March, 2019.

The group has followed a moderately aggressive financial policy in the past; the same is reflected through its gearing levels of 1.93 times as on March 31, 2019. The gearing improved to 1.40 times (Prov) as on March 31, 2020 on account of reduction in long term debt. Total outside liabilities to tangible net worth (TOL/TNW) stood at 3.82 times (Prov) as on 31 March 2020 as against 2.66 times as on 31 March 2019.

The group, on the other hand, generated cash accruals of Rs.3.18 crore (Prov) in FY2020 as against Rs.2.76 crore in FY2019. The profitability levels coupled with debt levels, has led to above average debt

protection measures. The NCA/TD and interest coverage ratio for FY2020 were healthy at 0.32 times (Prov) and 3.82 times (Prov), respectively.

Acuité believes that the financial risk profile of the group is likely to remain above average over the medium term, on account of moderate gearing and above average debt protection metrics.

Weaknesses

- **Working capital intensive nature of operations**

The group's working capital management is moderately intensive marked by its gross current asset (GCA) days of around 107 days (Prov) in FY2020 as against 131 days in FY2019. The group has maintained an inventory holding period of 19 days (Prov) as on 31 March, 2020 as against 12 days as on 31 March, 2019. The debtor days remained around 55 (Prov) in FY2020 as against 69 days in FY2019. Acuité expects the working capital management of the group to remain moderately intensive over the medium term on account of its debt collection period.

- **Highly competitive and fragmented nature of industry**

The group operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the group. However, the risk is mitigated to an extent due to a long track record of operations.

Rating Sensitivities

- Scaling up of operation while improving the profitability margin
- Stretch in the working capital cycle leading to an increase in reliance on working capital borrowings

Material Covenants

None

Liquidity position: Adequate

SG has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.3.18 crore (Prov) for FY2020, with debt repayment obligations of Rs.1.07 crore (Prov) for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.3.79 crore to Rs.5.42 crore during FY2021-23 against debt repayment obligations of Rs.1.05 crore-Rs.1.11 crore every year in the same period. The group's working capital operations are moderately intensive, marked by GCA of 107 days (Prov) for FY2020. The average bank limit utilization over the past six months ended August 2020 remained at around ~82.59 percent. The current ratio stood low at 0.80 times (Prov) as on 31 March, 2020. Acuité believes that the liquidity of SG is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes that SG will maintain a stable outlook over the medium term backed by its experienced management and established track record in the aforementioned industry. The outlook may be revised to "Positive", if the group demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if group generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	35.19	32.18
PAT	Rs. Cr.	1.76	1.75
PAT Margin	(%)	4.99	5.43
Total Debt/Tangible Net Worth	Times	1.40	1.93
PBDIT/Interest	Times	3.82	3.59

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

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-52.htm
- Entities in Manufacturing Sector - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation of Companies- https://www.acuite.in/view-rating-criteria-60.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
23-Jul-2019	Cash Credit	Long term	5.30	ACUITE BB/Stable (Assigned)
	Term Loan	Long term	1.45	ACUITE BB/Stable (Assigned)
	Term Loan	Long term	2.54	ACUITE BB/Stable (Assigned)
	Proposed	Long term	2.71	ACUITE BB/Stable (Assigned)

***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	5.14	ACUITE BB/Stable (Reaffirmed)
Term Loan	07-Jan-14	9.60%	07-Jan-21	0.86	ACUITE BB/Stable (Reaffirmed)
Term Loan	07-May-18	9.60%	07-May-25	2.35	ACUITE BB/Stable (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	3.65	ACUITE BB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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