

Press Release

S A Exports

May 10, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 60.00 crore bank facilities of S A Exports. The outlook is '**Stable**'.

S A Exports (SAE), a partnership firm, is engaged in the processing of sea food. Promoted by Mr. Nasir Ahmed Khan and family, the firm exports shrimps, prawns, pomfret among others and has total installed capacity of 57MT per day.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The firm was established in 1995 by promoters, Mr. Nasir Ahmed Khan, Mr. Shamim Ahmed Khan and Anis Ahmed Khan who possess more than two decades of experience in diverse businesses including sea food, agriculture, real estate, retail marketing and hospitality industries.

- Diversified geography and product base**

SAE caters to a diversified geography and exports to Japan, Canada, Singapore, Belgium, Vietnam among others.

- Efficient working capital cycle**

The firm has efficient working capital cycle management marked by low gross current assets days of 20 in FY2016. The debtor days stood at nil in FY2016 while creditor days stood at 20.

- Strong financial risk profile**

The strong financial risk profile is marked by low gearing, moderate networth and comfortable debt protection metrics. The gearing decreased to 0.41 times in FY2016 from 1.18 times in FY2015. The networth has been moderate at Rs 15.81 cr in FY2016. The interest coverage stood comfortable at 2.18 times in FY2016 compared to 1.98 times in FY2015. The Net Cash Accruals to Total debt (NCA/TD) improved to 0.60 times in FY2016 from 0.23 times in FY2015. The Debt Service Coverage ratio (DSCR) stood at 1.45 times in FY2016 as against 1.76 times in FY2015.

- Significant growth in revenue in FY2017**

While SAE registered a marginal decline in revenue to Rs 204.16 cr in FY2016 from Rs 220.31 crore in FY2015, it registered around 31 per cent growth in revenue in FY2017 (Provisional) to Rs 295 cr. The decline in FY2016 was due to fall in exports and production. The production increased to 50,000 mtpa in FY2017 from 30,000 mtpa in FY2016. The firm stored shrimps in blocks but now has added individual shrimp storage too. It also plans to add a new cold storage unit with capacity of 1600 metric tonnes at a total cost of Rs 4 cr to be funded by Rs 0.70 cr of government subsidy, Rs 2.50 cr of

term loan and the balance from promoters funds. The unit is expected to start operations from FY2018.

Weaknesses

- **Susceptibility to risks inherent in the seafood industry**

The firm remains vulnerable to the risks inherent in the seafood industry such as susceptibility to diseases, climate changes, fluctuations in the exchange rates, among others.

- **Partnership constitution of the firm**

The rating factors in the partnership constitution of the firm that enables the promoter to withdraw capital at will. However, SMERA derives comfort from the fact that the firm will maintain atleast Rs 15 cr in the business over the medium term.

- **Thin profit margins**

The profit margin has been thin at 0.96 per cent in FY2015 and FY2016 due to lower realisation and high interest cost.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that SAE will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm achieves more than envisaged sales and registers sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profit margins or registers deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, SAE reported Profit after tax (PAT) of Rs.1.96 cr on operating income of Rs.204.16 cr, as compared with PAT of Rs.2.11 cr on operating income of Rs.220.31 cr in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Jan-2016	Packing Credit	Short Term	INR 20	SMERA A4+
	FD/UBP (LC)	Short	INR 35	SMERA A4+

	Term		
Term Loan	Long Term	INR 4.5	SMERA BB+ / Stable
Bank Guarantee	Short Term	INR 0.5	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A4+
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA A4+
Term loans	Not Applicable	Not Applicable	31-May-2020	4.50	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+

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ABOUT SMERA

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