

Press Release

S.A. Exports (SAE)

April 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 100.00 crore (Enhanced from Rs 87.25 crore)
Long Term Rating	ACUITE BBB-/ Negative (Reaffirmed; Outlook revised from Stable to Negative)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs 100.00 crore bank facilities of S A Exports (SAE). The outlook is revised to '**Negative**' from '**Stable**'.

The revision in outlook is on account of decline in their operating performance in the past two years till date. The revenues are expected to decrease in this year as compared to the previous years mainly due to a slowdown in the demand leading to decline in prices of sea food. The rating continues to reflect the comfortable financial risk profile of the company.

Established in 1995, S. A. Exports (SAE), a Kolkata-based partnership firm, is engaged in the processing of sea food. Promoted by Mr. Nasir Ahmed Khan and family, the firm exports shrimps, prawn mainly vannemai and black tiger. The firm procures the raw shrimps from local market which are further processed for exporting to different markets. SAE sells products under its own brand names like King Khan, BEEU Gold, Naniwa Gold, BEEU Pearl and BEEU Silver. The company has a total installed capacity of 57MT per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SAE to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

Established in 1995, the firm has a long track record of over two decades in the sea food industry. The firm is promoted by Mr. Nasir Ahmed Khan, Mr. Shamim Ahmed Khan and Mr. Anis Ahmed Khan who possess more than two decades of experience in diverse businesses including sea food, agriculture, real estate and retail marketing, among others. Acuité believes that the long standing experience of the management would enable the firm to maintain comfortable relationships with their key customers and suppliers.

- Comfortable financial risk profile**

The financial risk profile of the company is marked by modest networth, comfortable gearing level and strong debt protection measures. The tangible networth stood at Rs 23.30 crore as on 31st March, 2019 as compared to Rs 21.84 crore in the previous year. The increase in networth is mainly due to retention of profits. The gearing (debt-equity) increased to 0.46 times as on 31st March, 2019 as compared to 0.12 times in the previous year. The total debt of Rs 10.72 crore as on 31st March, 2019 consists of packing credit of Rs 8.36 crore, Term Loan of Rs 1.50 crore and Car Loan of Rs 0.86 crore. The coverage indicators marked by Interest coverage ratio (ICR) stood at 2.85 times for FY 2019 as compared to 2.69 times in FY 2018 and DSCR (Debt Service Coverage Ratio) stood at 2.31 times as against 2.22 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.67 times in FY2019 and 2.88 times in FY2018. The decrease in NCA/TD ratio is due to increase in long term debt. Debt to EBITDA stood at 0.68 times in FY2019 as against 0.16 times in FY2018. Acuité

believes the financial risk profile of the company will remain at current levels over the medium term in the absence of any major debt funded capex plan.

Weaknesses

- **Susceptibility to risks inherent in the seafood industry and forex risk**

SAE remains vulnerable to the risks inherent in the seafood industry such as susceptibility to quality of the products due to diseases, climatic changes and application of stringent norms. Also, adverse changes in domestic and foreign Government policies such as modifications in export incentives offered to industry creates risk for the industry. SAE exports to the countries like China, Vietnam, USA, Japan, etc. which exposes to the volatility of exchange rate.

- **Partnership based constitution**

SAE is exposed to the capital withdrawal risk on account of partnership constitution of the firm; which will have an impact on the credit profile of the firm.

Rating Sensitivity

- Steady growth in revenue with sustained profitability levels
- Sustenance of their financial risk profile

Material Covenants

None

Liquidity Profile

The firm has adequate liquidity marked by sufficient cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 5.59-7.17 crore in FY 2017-2019 while its maturing debt obligations were Rs 0.21 crore during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 7.39-8.02 crore during 2020-22 against repayment obligation of around Rs. 0.24-0.22 crore during FY2020-22. The company has prudent working capital operations as marked by GCA days of 12 days for FY 2019. The company maintains unencumbered cash and bank balances of Rs. 0.03 crore as on March 31, 2019. The current ratio stood at 1.08 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Negative

Acuité believes that SAE could face decline in operating revenue and profitability due to a slowdown in the demand leading to decline in prices of sea food. The rating may be downgraded in case of further deterioration in operating revenue and profitability margins thereby impacting the liquidity and debt protection indicators of the company. Conversely, the outlook may be revised to 'Stable' if the company is able to show significant growth in revenue while sustaining its profitability and efficiently managing its working capital cycle and keeping the debt levels comfortable.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	387.35	398.09
PAT	Rs. Cr.	5.55	6.11
PAT Margin	(%)	1.43	1.54
Total Debt/Tangible Net Worth	Times	0.46	0.12
PBDIT/Interest	Times	2.85	2.69

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.htm>
- Trading entities:<https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-January-2019	Packing Credit	Short Term	30.00	ACUITE A3 (Reaffirmed)
	Bill Discounting	Short Term	50.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB-/ Stable (Reaffirmed)
	Bank Guarantee/ Letter of Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Foreign Bank Guarantee	Short Term	1.63	ACUITE A3 (Reaffirmed)
	Proposed Short term Facility	Short Term	0.12	ACUITE A3 (Reaffirmed)
03-October-2017	Packing Credit	Short Term	20.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bill Discounting	Short Term	35.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	4.50	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+/ Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded from ACUITE A4+)
10-May-2017	Packing Credit	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Bill Discounting	Short Term	35.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	July, 2019	Not Applicable	Not Applicable	35.00 (Enhanced from Rs 30.00 crore)	ACUITE A3 (Reaffirmed)
Bill Discounting	July, 2019	Not Applicable	Not Applicable	60.00 (Enhanced from Rs 50.00 crore)	ACUITE A3 (Reaffirmed)
Term Loan	June, 2017	Not Applicable	June, 2024	2.00 (Reduced from Rs 4.50 crore)	ACUITE BBB-/ Negative (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	July, 2019	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Foreign Bank Guarantee	July, 2019	Not Applicable	Not Applicable	2.00 (Enhanced from Rs 1.63 crore)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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