

Press Release

S.A. Exports

July 01, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed; outlook revised from Negative)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The revision in outlook is factors in the improvement in profitability margin of the firm while sustaining their healthy scale of operation. The outlook revision also takes into account the comfortable financial risk profile and efficient working capital management during the period.

The rating continues to reflect the extensive experience of the management in the sea food industry and established association with customers and suppliers. The rating also reflects efficient working capital management of the firm and adequate liquidity position during the period. However, these strengths are partially offset by the risk inherent in the sea food industry and foreign exchange fluctuation risk.

About the firm

S. A. Exports is a Kolkata based firm established in the year 1995 by Mr. Nashir Ahmed Khan. The firm is engaged in processing and export of sea foods such as shrimps, prawn mainly vannemai and black tiger prawn with an installed capacity of 60 MTPD. The firm sells product under its own brand named BEEU White, King Khan, BEEU Gold, Naniwa Gold, BEEU Pearl and BEEU Silver.

Analytical Approach:

Acuite has considered the standalone business and financial risk profile of SAE while arriving at the rating.

Key Rating Drivers:

Strengths

Long track record of operation and experienced management

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. Acuite 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 firm is marked by moderate net worth, comfortable gearing and comfortable debt protection metrics. The net worth of the firm stood moderate at Rs.28.31 crore in FY 2021 (Prov.) as compared to Rs 25.77 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the firm stood comfortable at 0.95 times as on March 31, 2021 (Prov.) when compared to 0.78 times as on March 31, 2020. This increase in gearing is mainly on account of increase in short term debt utilization during the period. Interest coverage ratio (ICR) is comfortable and stood at 2.05 times in FY2021 (Prov.) as against 2.08 times in FY 2020. The debt service coverage ratio (DSCR) of the firm stood comfortable at 1.64 times in FY2021 (Prov.) as compared to 1.58 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.26 times in FY2021 (Prov.) as compared to 0.29 times in the previous year. Going forward, Acuite believes the financial risk profile of the firm will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Healthy scale of operation

The revenue of the firm stood healthy at Rs.309.01 crore in FY2021 (Prov.) as compared to Rs.328.28 crore in the previous year. However, this deterioration in the top line of the firm is mainly due to decrease in the price of sea foods in the global market during the period. Acuite believes, going forward the revenue of the company will increase and sustain at the healthy level backed by steady demand in global market both from the retail and wholesale segment.

Efficient working capital management

The working capital management of the firm is marked by GCA days of 30 days in FY2021 (Prov.) as compared to 22 days in FY2020. The debtor days of the firm stood comfortable at 09 days in FY2021 (Prov.) as compared to 7 days in the previous year. The inventory holding period of the firm also stood at 16 days in FY2021 (Prov.) as compared to 09 days in the previous year. Moreover, the firm has utilized ~75 per cent of its working capital facility for the last six months ended May 2021. Acuite believes that the working capital of the firm would be maintained at efficient levels over the medium term backed by the efficient debtor and inventory management policy of the promoters.

Weaknesses

Moderate profitability margin

The operating profitability margin of the firm stood moderate at 3.95 per cent in FY2021 (Prov.) as compared to 3.12 per cent in the previous year. Moreover, this improvement in operating profitability margin is due to decrease in the raw material price during the period. The net profitability margin of the firm has also improved to 1.81 per cent in FY2021 (Prov.) as compared to 1.31 per cent in the previous year. Acuite believes that the firm's ability to improve its revenues while maintaining its profit margin will remain a key rating sensitivity factor.

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 USA, Europe, Japan, UK, Vietnam and etc. which exposes to the volatility of exchange rate.

Rating Sensitivity

- Sustenance in scale of operation and profitability margin
- Deterioration in capital structure
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The firm has adequate liquidity marked by healthy net cash accruals of Rs.6.87 crore as against Rs.0.60 crore long term debt obligation during FY2021 (Prov.). The cash accruals of the firm are estimated to remain in the range of around Rs. 8.26 crore to Rs. 10.69 crore during 2022-24 as against Rs.0.25 crore of long term debt obligations in FY2022. The current ratio of the firm stood comfortable at 1.47 times in FY2021 (Prov.). The efficient working capital management of the firm is marked by comfortable Gross Current Asset (GCA) days of 30 days in FY2021 (Prov.). The bank limit of the firm has been ~75 per cent utilized during the last six months ended May 2021. Moreover, the company has not availed any covid emergency fund. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes that SAE will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience, established track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue growth while improving its profitability. Conversely, the outlook may be revised to 'Negative' if the company achieves lower than expected revenue growth, further decline in profitability or deterioration of financial risk profile.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	309.01	328.28
PAT	Rs. Cr.	5.59	4.32
PAT Margin	(%)	1.81	1.31
Total Debt/Tangible Net Worth	Times	0.95	0.78
PBDIT/Interest	Times	2.05	2.08

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>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.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
03-Apr-2020	Packing Credit	Short Term	35.00	ACUITE A3 (Reaffirmed)
	FDUBP	Short Term	60.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB-/Negative (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Foreign Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
14-Jan-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	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Foreign Bank Guarantee	Short Term	1.63	ACUITE A3 (Assigned)
	Proposed Short Term Facility	Short Term	0.12	ACUITE A3 (Assigned)
03-Oct-2017	Packing Credit	Short Term	20.00	ACUITE A3 (Upgraded)
	Bill Discounting	Short Term	35.00	ACUITE A3 (Upgraded)
	Term Loan	Long Term	4.50	ACUITE BBB-/Stable

				(Upgraded)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Upgraded)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A3 (Reaffirmed)
FDUBP	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A3 (Reaffirmed)
Term Loan	June 2017	Not Available	June 2024	2.00	ACUITE BBB-/Stable (Reaffirmed; Outlook revised from Negative)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Foreign Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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