Press Release

S R S Exports Private Limited

D-U-N-S® Number: 67-629-9306

December 26, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Short Term Rating	ACUITE A4

** Refer Annexure for details*

Rating Rationale

Acuité has assigned short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 30.00 crore bank facilities of S R S Exports Private Limited.

SEPL, incorporated in 1995 by Mr. Sandeep Mohan and Mrs. Shivani Mohan, is a Punjab based company engaged in imports of agro based commodities such as yellow peas, wheat, lentils, rice, other pulses and sugar for the domestic market. SEPL imports these commodities from Canada, Russia, Australia and UK. The company's product portfolio depends on demand - supply indicators, and thereby on prevailing prices in the domestic and international markets.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SEPL was incorporated in 1995 by Mr. Shadiram Mohan who has more than two decades of experience in the agro commodity industry and also has other group companies engaged in the same business sector. The company has established healthy relations with its customers and suppliers over the years which help it to get repeated business. Acuité believes that the company will be benefitted by the established track record of over three decades in the agro commodity industry.

Weaknesses

- **Uneven revenue trend with declining profitability**

The revenues of SEPL has shown uneven revenue trend during the period FY2016 to FY2018 under the study. The operating income stood at Rs.194.75 crore in FY2018 as against Rs.498.86 crore in FY2017 and Rs.131.41 crore in FY2016. The revenues increased in FY2017 on the back of increased sale of imported wheat in the domestic market. Wheat accounted for ~70 percent of SEPL's total revenues in FY2017. However in FY2018, the revenues have decreased on account of sufficient production of wheat and also increase in the import duty taxes in FY2018.

The profitability margins have shown a declining trend during the period FY2016 to FY2018 under the study. The operating margins stood at
0.25 percent in FY2018 (PY: 0.38 percent). The margins have declined on account of increase in raw material prices in FY2018 over FY2017 and also due to intense competition in the industry. The presence of numerous players exerts pricing pressure on the company, resulting in low net cash accruals. The net profitability margins have remained same 0.15 percent in FY2018 and FY2017. The net profitability is further supported by other non-operating income which includes interest and rental income.

Acuité believes that the ability of the company to scale up its operations while maintaining the profitability in the highly competitive agro industry will be key rating sensitivity.

- **Working capital intensity marked by high reliance on the stretched creditors**

SEPL increased its reliance on the creditors both in FY2018 and FY2017 to fund its working capital requirements resulting in high total outside liabilities to tangible net worth (TOL/TNW). TOL/TNW ratio stood improved to 7.40 times as on 31 March, 2018 (PY: 26.56 times). TOL/TNW improved on account of significant decline in creditors in FY2018 over FY2017. All the payments to the creditors of SEPL are LC backed payments which has tenure of 90 to 180 days resulting in high creditor days.

- **Susceptible to volatility in commodity prices, foreign exchange fluctuation risk and regulatory risk**

The operations of SEPL remain susceptible to fluctuation in commodity prices and government policies which are highly influenced by the demand - supply gap in the domestic market as well as by climatic conditions. The prices of imported products largely relies on duties imposed by the Indian government. Any significant changes or hike in the import duty could make imports unviable for the company, thereby impacting the operations of the company. Further, the company sources 90 percent of its requirement from overseas markets, backed by letter of credit of 90-180 days which is sold completely in the domestic market. Any adverse change in the exchange rates will increase the LC liability, thereby impacting the debt protection indicators.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	194.75	498.86	131.41
EBITDA	Rs. Cr.	0.50	1.92	1.06
PAT	Rs. Cr.	0.29	0.75	0.51
EBITDA Margin	(%)	0.25	0.38	0.80
PAT Margin	(%)	0.15	0.15	0.39
ROCE	(%)	15.91	30.18	10.22
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.18
PBDIT/Interest	Times	1.75	2.04	1.82
Total Debt/PBDIT	Times	0.00	0.00	0.81
Gross Current Assets (Days)	Days	94	146	85

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.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
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00*	ACUITE A4

**Letter of Credit includes sublimit of Cash Credit to the extent of Rs. 2.00 crore*

Contacts

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About Acuité Ratings & Research:
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