

Press Release

S R S Exports Private Limited

February 14, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 30.00 Cr. bank facilities of S R S Export Limited (SEPL).

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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SEPL to arrive at the rating.

Key Rating Drivers

Strengths

Long operational track record and experienced promoters

SEPL was incorporated in 1995 by Mr. Sandeep Mohan who has more than two decades of experience in the agro commodity industry and 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 repeat business. Acuite believes that the company will be benefitted by the established track record of over three decades in the agro commodity industry.

Weaknesses

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. Any adverse change in the exchange rates will increase the LC liability, thereby impacting the debt protection indicators.

Modest financial profile

The company has moderate financial risk profile marked by modest net worth and coverage indicator. Net worth of the company was Rs.8.60 crore in as on 31st March'19 as against Rs 8.44 crore in the previous year. Debt protection metrics stood at moderate level as indicated from interest coverage of 1.30 times in FY19 as compared to 1.75 times in previous year. The deterioration in debt protection ratio is due to increase in financial cost. Acuite believes overall financial profile will continue to remain similar in medium term.

Low and volatile profitability margin

The profitability margins of the company has been always low and volatile with EBITDA margin at 1.58 percent during FY19 as against 0.25 percent in FY18 and 0.38 percent in FY17. This was because of trading nature of business along with foreign currency risk as company imports commodities from overseas markets.

Liquidity profile: Adequate

The company has adequate liquidity profile as indicated from low utilization of working capital limit which stood at 13 percent during last 6 month ended December 2019. However, company had a high GCA days of 173 days in FY19 due to high debtor and inventory days. Acuite observes that the working capital is being managed by stretching their creditors. The creditor days stood at 190 days in FY19 as against 121 days in the

previous year. Current Ratio stood at 1.20 times in FY19 as against 1.12 times in FY18. Company had a low cash & Bank Balance of Rs.0.04 crores during FY19. Acuite believes liquidity profile will continue to maintain adequate liquidity profile backed by comfortable working capital cycle.

Rating sensitivities

- Substantial improvement in scale of operation and debt protection ratio.
- Improvement in EBITDA margin

Material covenant

None

Outlook: Stable

Acuite believes that the company will continue to benefit from the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of decline in profitability or deterioration in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	77.55	194.75
PAT	Rs. Cr.	0.20	0.29
PAT Margin	(%)	0.26	0.15
Total Debt/Tangible Net Worth	Times	NA	NA
PBDIT/Interest	Times	1.30	1.75

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

None

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/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-22.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. Cr.)	Ratings/Outlook
26-December 2019	Letter of Credit	Short Term	3.00	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
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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