

## Press Release

### S R S Exports Private Limited

June 01, 2021



### Rating Reaffirmed

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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the short term of **ACUITE A4' (read as ACUITE A4)** on the Rs. 30.00 crore bank facilities of S R S Export Private Limited (SEPL).

The rating continues to reflect long operational track record along with modest financial risk profile. The ratings also factor in the low profitability due to trading nature of business.

SEPL was incorporated in 1995 by Mr. Sandeep Mohan and Mrs. Shivani Mohan, and 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 the standalone business and financial risk profiles of SEPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Long track record of operation

SEPL was incorporated in 1995 by Mr. Shadiram Mohan who has more than two decades of experience in the agro commodity industry and has other group companies engaged in similar line of business. 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 from the established track record of over two 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 rely 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.

#### Modest financial profile

The company has a modest financial risk profile marked by modest net worth and comfortable coverage ratios. Net worth of the company stood at Rs.9.60 Cr as on 31<sup>st</sup> March'20 as against Rs 8.60 Cr in the previous year. The interest coverage stood comfortable at 4.46 times in FY20 as compared to 1.30 times in previous year. The improvement in debt protection ratio is due to rise in absolute EBITDA backed by increase in turnover level. The gearing ratio stood at 0.62 times in FY20. The company did not avail any fund based limits during FY19. TOL/TNW stood high at 11.87 times in FY20 as against 4.28 times in FY19. Acuité believes financial risk profile is likely to remain at a modest level in medium term because of low profit margin.

### Low and volatile profitability margin

The profitability of the company always stood low as EBITDA margin stood at 0.55 percent in FY20 as against 1.58 percent in FY19. The company has posted an EBITDA margin of 1.37 percent in FY21 (Provisional). This fluctuation in profit margin is due to trading nature of business along with foreign currency risk as company imports commodities from overseas markets. Acuité believes profit margin of the company will continue to remain volatile in medium term.

### Liquidity profile: Stretched

The company has a stretched liquidity profile as reflected from its high utilization of working capital limit which stood at 100 percent during last 6 months ended March 2021. The company had a high GCA days of 174 days in FY20 due to high debtor and inventory days. Current ratio stood modest at 1.07 times in FY20. Acuité believes liquidity profile will continue to remain stretched in the medium term due to high working capital requirement.

### Rating sensitivities

- Improvement in profit margin
- Improvement in liquidity profile.

### 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	240.59	77.55
PAT	Rs. Cr.	1.02	0.20
PAT Margin	(%)	0.42	0.26
Total Debt/Tangible Net Worth	Times	0.62	0.00
PBDIT/Interest	Times	4.46	1.30

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading entities - <https://www.acuite.in/view-rating-criteria-61.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
14-Feb-2020	Letter of Credit	Short Term	30.00	ACUITE A4 (Reaffirmed)
26-Dec-2018	Letter of Credit	Short Term	30.00	ACUITE A4(Assigned)

### 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)

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### About Acuité Ratings & Research:

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