



Press Release
S R S Exports Private Limited
October 26, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

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

Rationale for the Reaffirmation

The rating reaffirmation considers improvement in company's operating income albeit decline in profitability margins. SEPL's operating income in FY2023 (Prov.) stood at Rs.122.24 crore as compared to Rs. 72.85 crore in FY2022 and Rs.100.56 crores in FY2021. The company majorly imports and export its products (~90%) and distributes across globe. Despite improvement in revenues, the profitability of the company witnessed significant deterioration marked by decline in operating profit margin to 0.17 percent in FY2023 (Prov.) as compared to 3.85 percent in FY2022 and 0.60 percent in FY2021. The rating continues to derive comfort from long track record of operation and experience of the management.

The above strengths are constrained by working capital intensive nature of operations and presence in the in a competitive industry with low entry barriers.

About the Company

Incorporated in 1995 , S R S Exports Private Limited (SRSEPL) a Punjab based company is currently managed by by Mr. Sandeep Mohan,Mrs. Shivani Mohan and Mr. Virender Kumar Upadhyay. The company is engaged in export-import of agro based commodities such as yellow peas, wheat, lentils, rice, other pulses and sugar.

Standalone (Unsupported) Rating

None

Analytical Approach

Acuite 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 and experienced management

SEPL was incorporated in 1995 and is currently managed by Mr. Sandeep Kumar Mohan, Mrs. Shivani Mohan and Mr. Virender Kumar Upadhyay. Mr. Sandeep Mohan has more than two decades of experience in the agro commodity industry.. The experience of the management has aided the company in establishing healthy relations with its customers and suppliers over the years, which help it to get repeat business. Acuite believes that the company will

continue to be benefitted from the long track record of operations and experienced management over the medium term.

Average financial risk profile

The financial risk profile of the company is average marked by marked by low gearing and moderate debt protection metrics. The net worth of the company stood at Rs.12.55 Cr as on FY2023(Provisional) as compared to Rs.12.28 Cr. as on FY2022. The gearing (debt-equity) stood at 0.32 times as on FY2023 (Provisional) against nil last year. The interest coverage ratio stood moderate at 2.05 times for FY2023(Provisional) as against 6.54 times for FY2022. Acuité believes that the financial risk profile of SEPL will continue to remain average in absence of any debt funded capex plan

Weaknesses

Working Capital Intensive nature of operations

The working capital management of the company remained intensive, though recorded an improvement in FY2023 (Prov.) vis-à-vis last year. The Gross Current Assets (GCA) stood high at 395 days for FY2023 (Provisional) as compared to 583 days as on FY2022. The debtor period stood at 76 days for FY2023 (Provisional) as against 253 days for FY22. Further, the inventory holding stood at 310 days for FY2023 (Provisional) as against 318 days for FY2022. The payment cycle varies from 15-30 days. The working capital cycle of the Company is expected to remain at similar levels over the medium term.

Presence in a competitive industry with low entry barriers

The wholesale trading industry of agro-commodities is a fragmented industry with low entry barriers. The industry is characterized by a large number of organized and unorganized players which leads to intense competition. Moreover, due to low value additive nature of trading business, the profitability margins are thin.

Rating Sensitivities

- Improvement in profit margin
- Improvement in liquidity profile.

All Covenants

None

Liquidity Position Stretched

The company has a stretched liquidity profile as reflected from its high GCA days of 395 days in FY2023(Provisional) due to high debtor and inventory days. Current ratio stood modest at 1.11 times in FY2023(Provisional). Acuité believes liquidity profile will continue to remain stretched in the medium term due to high working capital requirement.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.24	72.85
PAT	Rs. Cr.	0.71	1.80
PAT Margin	(%)	0.58	2.48
Total Debt/Tangible Net Worth	Times	0.32	0.00
PBDIT/Interest	Times	2.05	6.54

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Aug 2022	Letter of Credit	Short Term	30.00	ACUITE A4 (Issuer not co-operating*)
01 Jun 2021	Letter of Credit	Short Term	30.00	ACUITE A4 (Reaffirmed)
14 Feb 2020	Letter of Credit	Short Term	30.00	ACUITE A4 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4 Reaffirmed

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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