



Press Release
S R S Exports Private Limited
April 02, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	15.00	-	ACUITE A4 Assigned
Bank Loan Ratings	30.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned the long term of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 5.00 crore bank facilities of S R S Export Private Limited (SEPL). The outlook is '**Stable**'.

Acuite has assigned the short term of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.00 crore bank facilities of S R S Export Private Limited (SEPL).

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 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 0.93 percent in FY2023 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 and healthy scale of operations; however, profitability remains susceptible towards volatility in traded product costs and foreign currency fluctuations.

The above strengths are constrained by working capital intensive nature of operations and low and volatile profitability margin.

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.

Unsupported Rating

Not Applicable

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 experience of the management

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.

Healthy scale of operations; however, profitability remains susceptible towards volatility in traded product costs and foreign currency fluctuations.

The company's operating income improved significantly in last year reflected by increased revenue to Rs.122.24 crore in FY2023 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 group witnessed significant deterioration marked by decline in operating profit margin to 0.93 percent in FY2023 as compared to 3.85 percent in FY2022 and 0.60 percent in FY2021. The decrease in the margin is majorly on account of higher exports and imports charges and other expenses. The company reported profit after tax of Rs.0.41 crore in FY2023 compared to Rs.1.80 crore in FY2022 and Rs.0.57 crore in FY2021.

Acuité believes that the improvement in profitability margins of the company will remain a key rating sensitivity over the medium term.

Weaknesses

Average financial risk profile

The financial risk profile of the company remained average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company stood improved at Rs.12.76 Cr. as on FY2023 as compared to Rs.12.28 Cr. as on FY2022. The gearing (debt-equity) stood high at 0.31 times as on FY2023. The interest coverage ratio and DSCR stood moderate at 1.92 times and 1.68 times respectively for FY2023 as against 6.54 times and 5.12 times respectively for FY2022.

Acuité believes that the financial risk profile of SEPL is however expected to remain moderate over the medium term.

Working Capital Intensive nature of operations

The working capital management of the company remained intensive marked by high Gross Current Assets (GCA) of 377 days for FY2023 as compared to 583 days as on FY2022. The debtor period stood at 56 days for FY2023. Further, the inventory holding stood at 316 days for FY2023 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.

Low and volatile profitability margin

The profitability of the company always stood low as EBITDA margin stood at 0.93 percent in FY2023 as against 3.85 percent in FY2022. 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.

Rating Sensitivities

- Improvement in profit margin
- Improvement in liquidity profile.

Liquidity Position Stretched

The company has a stretched liquidity profile as reflected from its high GCA days of 377 days in FY2023 due to high debtor and inventory days and net cash accruals of Rs 0.61 Cr. as on FY2023 as against no long term debt over the same period. Current ratio stood modest at 1.08 times in FY2023. Acuité believes liquidity profile will continue to remain stretched in the

medium term due to high working capital requirement.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.24	72.85
PAT	Rs. Cr.	0.41	1.80
PAT Margin	(%)	0.33	2.48
Total Debt/Tangible Net Worth	Times	0.31	0.00
PBDIT/Interest	Times	1.92	6.54

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

Not Applicable

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
26 Oct 2023	Letter of Credit	Short Term	30.00	ACUITE A4 (Reaffirmed)
10 Aug 2022	Letter of Credit	Short Term	30.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
01 Jun 2021	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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE B+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A4 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4 Assigned

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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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