



Press Release
STAR EXPORTS
April 24, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	32.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	34.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘ACUITE BB+’ (read as ACUITE double B plus) and the short-term rating of ‘ACUITE A4+’ (read as ACUITE A four plus) on the Rs.34.00 Cr. bank facilities of Star Exports (SE). The outlook is ‘Stable’.

Rationale for rating reaffirmation

The rating reaffirmation considers improvement in revenues albeit moderation in profitability along with healthy financial risk profile. The rating further draws support from experienced management and long track record of operations. The rating is however constrained due to working capital intensive operations, high competition risk and inherent risks associated with withdrawal of partner’s capital being a Partnership Firm.

About the Company

Tamil Nadu based Star Exports (SE) is a partnership firm established in the year 1999 by Mr. Sarfraz Ahmed. The firm is engaged in processing and exporting of finished leather. The firm procures the semi-finished leather from its suppliers and processed leather is sold to its customers. Star Exports has 3 Tannery Units, 2 Units situated in Chennai and one at Ranipet, Tamil Nadu. On an average basis, ~50- 60 per cent of the products are exported and rest are sold in the domestic market to export oriented units. The firm exports to countries like Bangladesh, Poland, Italy, British, China, etc.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Star Exports (SE) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Star Exports (SE) is promoted by Mr. Sarfraz Ahmed and Mrs. Shabana Ahmed who has over two decades of experience in the leather industry. The firm started its operations in Chennai and Ranipet over the years. Acuité believes that the management experience is likely to favourably impact the business risk profile of the firm over the near to medium term.

Improvement in scale of operation albeit moderation in profitability

The revenue of the firm stood at Rs.124.98 Cr. in FY2024 as against Rs.113.52 Cr. in FY2023 with reporting growth of ~10.10 percent in FY2024. Further the firm has reported estimated revenue of Rs 155.84 Cr. in FY2025. The operating profit margin of the firm moderated in FY2024 and stood at 6.70 percent as against 8.19 percent in FY2023. The moderation in operating margins is due to dependency on the Job works, increase in job work charges /factory overheads albeit increase in the capacity utilization. The PAT margin also moderated and stood at 3.11 percent in FY2024 as compared to 5.19 percent in FY2023 on account of dip in operating margins and increase in finance cost.

Acuité believes that the ability of the firm to maintain its scale of operations and improve profitability margins will be going to remain a key rating monitorable over the medium term.

Moderate financial risk profile

The financial risk profile of the firm remained moderate marked by moderate net worth, comfortable gearing and debt protection metrics. The tangible net worth of the firm stood at Rs.32.57 Cr. as on March 31, 2024 as compared to Rs 28.59 Cr. as on March 31, 2023 on account of accretion of profits. The total debt of the firm remained at the same level i.e. Rs 67.74 Cr. as on March 31, 2024 and Rs 67.44 Cr. as on March 31, 2023. The total debt of the firm comprised of long-term debt of Rs. 1.30 Cr, unsecured loans of Rs.43.46 Cr, short term debt of Rs 21.53 Cr. and current maturities of long term debt of Rs.1.45 Cr. as on March 31, 2024. The gearing of the firm stood at 2.08 times as on March 31, 2024 as against Rs 2.36 times as on March 31, 2023.

The debt protection metrics of the firm stood comfortable marked by interest coverage ratio of 4.38 times as on March 31, 2024 and debt service coverage ratio at 2.52 times as on March 31, 2024 as against 5.69 times and 3.42 times as on March 31, 2023 respectively mainly on account of moderation of profitability margins. Acuité believes that, the financial risk profile of the firm would remain comfortable over the medium term in the absence of any large capex plans in medium term.

Weaknesses

Working capital intensive operations

The working capital cycle of the firm improved marginally in FY2024, although marked with high Gross Current Asset (GCA) of 186 days as on March 31, 2024 as against 220 days as on March 31, 2023. The inventory levels improved Y-O-Y, however still stood high at 112 days as on March 31, 2024 as against 129 days as on March 31, 2023. The debtor days moderated and stood at 50 days as on March 31, 2024 as against 54 days as on March 31, 2023. The creditor days of the firm stood at 68 days as on March 31, 2024 as against 112 days as on March 31, 2023. The average credit period received from the suppliers is around 80-100 days. The average utilization of the working capital limits of the firm remains low at ~25.69 percent in last seven months ended March 2025. Acuité believes that the improvement working capital management will remain in a key rating sensitivity over the medium term.

Highly competitive and fragmented industry

The leather and leather products industry in India is highly fragmented with the presence of numerous small-scale players catering to both the domestic and overseas demand, leading to intense competition. Any changes in the regulations and composition of industry likely to adversely impact the firm. Thus, intense competition may continue to constrain scalability, pricing power and profitability.

Risks of withdrawal of capital by partners

SE was established as a partnership firm in 1999. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure of the firm.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Elongation of the working capital cycle leading to deterioration in debt protection metrics.

Liquidity Position

Adequate

The firm has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.5.95 Cr. in FY2024 compared against maturing debt obligations of Rs.1.45 Cr. over the same period. The average utilization of the working capital limits of the firm

remains low at ~17 percent for cash credit and ~ 34 per cent in packing credit for last six months ended March 2025. The firm maintains unencumbered cash and bank balances of Rs.5.78 Cr. as on March 31, 2024 and the current ratio also improved which stood at 1.73 times as on March 31, 2024. Acuité believes that going forward the firm will continue to maintain adequate liquidity on account of adequate net cash accruals against its matured repayment obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	124.98	113.52
PAT	Rs. Cr.	3.88	5.89
PAT Margin	(%)	3.11	5.19
Total Debt/Tangible Net Worth	Times	2.08	2.36
PBDIT/Interest	Times	4.38	5.69

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité 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
25 Jan 2024	PC/PCFC	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.50	ACUITE BB+ Stable (Reaffirmed)
28 Oct 2022	PC/PCFC	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.50	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.50	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	0.50	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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