

Press Release

Soubhik Exports Limited

April 15, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	-	ACUITE A3 Assigned
Bank Loan Ratings	42.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	80.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs.42.00 Cr. long term bank facilities and a short-term rating of '**ACUITE A3**' on Rs.38.00 Cr. of short-term bank facilities of Soubhik Export Limited (SEL). The outlook is '**Stable**'.

The rating on SEL is driven by the extensive experience of the management in the trading business along with healthy relationship with customers and suppliers. The rating also reflects the moderate financial risk profile and healthy scale of operation of the company. However, these strengths are partially offset by the working capital intensive nature of operation and moderate profitability margin of the company.

About the Company

Soubhik Exports Limited is a company incorporated in 1996. It is involved in wholesale trading of agricultural goods such as cotton, wheat, maize, sugar among others. The company is also involved in manufacturing of rice bran oil from 2015 onwards with an installed capacity of 250 MTPD. Currently the company is managed by Mr. Prodipto Majumder, Mr. Pawan Shaw, and Mr. Suresh Halder.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SEL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

Established in 1966 by Mr. Prodipto Majumder and engaged in export of agricultural products such as rice, wheat, maize, pulses and cotton mainly to Bangladesh. In 2015 the company has

installed rice bran oil mill in West Bengal. Currently the company is managed by Mr. Prodipto Majumder, who has experience of more than three decades in the agricultural goods trading business and is ably supported by his son Mr. Soumyadeep Majumder, who also has more than five years of experience in similar industry. Acuité derives comfort from the long experience of the promoter will continue to support the business going forward.

Healthy scale of operation

The revenue of the company stood healthy at Rs.636.50 crore in FY2021 as compared to Rs.300.64 crore in the previous year. This significant increase in revenue is mainly due to increase in trading sales during the period. Further the company has reported a turnover of around Rs.1240.00 crore till 31st Jan 2022 (Prov.). This significant increase in top-line is on account of significant increase in trading of agricultural product during the period along with increase in revenue from manufacturing of rice bran oil.

Going forward, Acuite believes that the company will maintain the growth momentum on account of increasing demand of agricultural product mainly cotton from the export market especially from Bangladesh.

Moderate financial risk profile

The financial risk profile of the company is marked by moderate net worth, high gearing and comfortable debt protection metrics. The net worth of the company stood moderate at Rs.56.77 crore in FY 2021 as compared to Rs. 39.84 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. Acuite has also considered unsecured loan of Rs.22.40 crore as quasi equity, as the same amount is subordinated with bank debt. The gearing of the company stood high at 2.19 times as on March 31, 2021 when compared to 0.85 times as on March 31, 2020. This significant increase in overall gearing is on account of increase in short term borrowings during 31st March 2021. The TOL/TNW stood high at 3.90 times in FY2021 as compared to 1.16 times in the previous year. Interest coverage ratio (ICR) is comfortable and stood 2.79 times in FY2021 as against 2.45 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood healthy at 2.59 times in FY2021 as compared to 2.32 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.05 times in FY2021 and in 0.16 times the previous year. Going forward, Acuité believes the financial risk profile of the company will improve on account of healthy net cash accruals over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company is marked by high GCA days of 116 days in FY2021 as compared to 34 days in FY2020. This significant increase in GCA day is mainly on account of increase in debtor days during FY2021 to 65 days from 04 days in the previous year. Further, the high GCA days are also emanates from the increase in inventory holding period to 41 days in FY2021 from 09 days in the previous year. This increase in inventory is on account of increase in trading material during the year end. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Moderate profitability margin

The operating profitability margin of the company stood moderate at 1.76 per cent in FY2021 as compared to 3.33 per cent in FY2020. This deterioration in operating profitability margin is on account of increase in trading sales during the period, which contributes lower profitability as compared to the manufacturing sales. Further, the operating profitability margin of the company also stood moderate at 1.25 per cent till 31st Jan 2022 (Prov.). The net profitability margin of the company has also improved to 0.45 per cent in FY2021 as compared to 0.34 per cent in the previous year. Going forward, Acuite believes that the profitability margin of the company will be at the moderate level based on trading nature of business.

Rating Sensitivities

- Scaling up of operations while improving their profitability

Material covenants

None

Liquidity Position

Poor

The company has moderate liquidity marked by low current ratio of 1.01 times in FY2021. The bank limit of the company has been ~99 percent utilized during the last six months ended in January 2022. The working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 116 days in FY2021. However, Acuité draws comfort from the net cash accruals of the company which stood at Rs.6.49 crore as against nil long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 14.11 crore to Rs. 17.44 crore during 2022-23 as against Rs.2.00 crore long term debt obligation in FY2022 and in FY2023 respectively. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of increase in cash accruals against nil long debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on the company will remain 'Stable' over the medium term on account of the established track record of operations, experienced management and sound business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant increase in the gearing levels or further deterioration in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	635.90	300.01
PAT	Rs. Cr.	2.89	1.02
PAT Margin	(%)	0.45	0.34
Total Debt/Tangible Net Worth	Times	2.19	0.85
PBDIT/Interest	Times	2.79	2.45

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>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entity: <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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3 Assigned
Karnataka Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Assigned
Karnataka Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Stable Assigned
Karnataka Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 Assigned

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About Acuité Ratings & Research

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