



Press Release
Soubhik Exports Limited
June 19, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	110.00	ACUITE BB+ Stable Downgraded Negative to Stable	-
Bank Loan Ratings	50.00	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	160.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A Three**) on Rs.160.00 Cr. of bank facilities of Soubhik Exports Limited (SEL). The outlook is revised to '**Stable**' from '**Negative**'.

Rating Rationale for downgrade

The rating downgrade takes into account the sharp decline in operating revenue and volatility in profitability margins of the group in FY2023 and FY2024(prov). The revenue of the group stood at Rs.259.02 Cr. in FY2024 (prov), Rs.752.60 Cr in FY2023 as against Rs.1844.68 Cr. in FY2022. The profitability stood at 5.20 percent in FY2024 (prov), and (1.30) percent in FY2023 against 1.37 percent in FY2022. Further, the working capital operations of the group deteriorated with GCA days of 213 days as on March 31, 2024 (prov) as against 68 days on March 31, 2023.

The rating, however, is supported by a moderate financial risk profile, adequate liquidity and moderate utilisation of bank limits. The tangible net-worth of the group stood moderate at Rs.64.88 Cr. as on March 31, 2024(prov) as against Rs.60.45 Cr. as on March 31, 2023.

Going forward, the ability of the group to improve its scale of operations and profitability margins while maintaining its capital structure, adequate liquidity position and restricting further elongation in working capital cycle, will remain key monitorable.

About Company

West Bengal based - Soubhik Exports Limited was incorporated in 1996. It is involved in wholesale trading of agricultural goods such as cotton, wheat, maize, sugar, chick seeds among others to Bangladesh. The company is also involved in manufacturing of rice bran oil from 2015 onwards with an installed capacity of 75000 MTPA. Currently the company is managed by Mr. Prodipto Majumder, Mr. Pawan Shaw, and Mr. Suresh Halder.

About the Group

West Bengal- based, Remo Exports Enterprise was incorporated in 1996 as a proprietorship concern. The company is engaged in the business of trading of agricultural goods such as cotton, wheat, maize, sugar, chick seeds among others to Bangladesh. The proprietor of the firm is Mr. Prodipto Majumder.

West Bengal- based, Stoney Vinimay Private Limited was incorporated in 2011. The company is engaged in the business of trading of agricultural goods such as cotton, wheat, maize, sugar, chick seeds among others to Bangladesh. The present directors of the firm are Mr. Prodipto Majumder and Mr. Pawan Shaw.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has revised the approach to include Stoney Vinimay Private Limited and Remo Exports Enterprise into the 'Soubhik Group' as the group has common management, same line of operation, financial linkages in terms of corporate guarantee and operational linkages in terms of inter-company sales and purchases. Soubhik Exports Ltd has given a corporate guarantee for the bank limits availed by Stoney Vinimay Pvt Ltd and Remo Export Enterprise and Stoney Vinimay Pvt Ltd is holding ~8% stake in Soubhik Exports Limited. Hence, Acuité has consolidated the business and financial risk profiles of Soubhik Exports Limited, Stoney Vinimay Pvt. Ltd. and Remo Exports Enterprise together referred to as 'Soubhik Group'.

Key Rating Drivers

Strengths

Experienced management and a long track record of operation

The flagship company of the group, Soubhik Exports Limited was established in 1966 by Mr. Prodipto Majumder and engaged in the export of agricultural products such as rice, wheat, maize, pulses, chickpeas and cotton mainly to Bangladesh. In 2015, the company has installed rice bran oil mill in West Bengal with an installed capacity of 75,000 MT per annum. Advanced refining technologies have been used to manufacture the refined rice bran oil which is marketed under brand name "Hear Friendly cooking oil".

During 1996 the group started trading business in Remo Exports Enterprises and in 2011 they started trading in commodities in Stoney Vinimay Pvt Ltd. Currently the group is managed by Mr. Prodipto Majumder, who has more than six decades of experience in the agricultural trading business along with his son Mr. Soumyadeep Majumder, who also has more than two decades of experience in a similar industry.

Acuité derives comfort from the long experience of the promoter will continue to support the business going forward.

Moderate financial risk profile

The financial risk profile of the group is moderate marked by improving net worth, moderate gearing levels and moderate debt protection metrics. The tangible net-worth of the group stood comfortably at Rs.64.88 Cr. as on March 31, 2024(prov) as against Rs.60.45 Cr. as on March 31, 2023. The increase in net-worth is due to accretion of reserves. The group has a moderate leverage policy with a gearing level that stood at 1.39 times as on March 31, 2024(prov) as against 1.76 times as on March 31, 2023. This moderate improvement in gearing level is on account of the decrease in short term debt in FY2024 (prov). The total short term debt has declined to Rs.56.84 crore in FY2024 (prov) as compared to Rs.81.31 Cr. in the previous year.

The TOL/TNW improved and stood at 2.21 times as on March 31, 2024(prov) as against 2.76 times as on March 31, 2023. The debt/EBITDA of the group stood moderate at 5.43 times as on March 31, 2024(prov) as against 5.46 times as on March 31, 2023.

The debt coverage indicators of the group are moderate with Interest coverage ratio (ICR) at 2.49 times in FY2024 (prov) as against 2.34 times in FY2023. The debt service coverage ratio (DSCR) of the group also stood at 1.97 times in FY2024 (prov) as compared to 1.91 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.10 times in FY2024(prov).

Going forward, Acuité believes the financial risk profile of the group will remain at similar levels owing to modest improvements in the scale of operations and the absence of any major

debt funded capex in the near to medium term.

Weaknesses

Decline in scale of operations with volatile profitability margin

The group experienced sharp decline in operating income for the last two years, with operational revenue of Rs.259.02 Cr. in FY2024 (prov), Rs.752.60 Cr. in FY2023 as against Rs.1844.68 Cr. in FY2022. The decline in group performance is due to the ban on wheat exports by the Indian government in May 2022, the economic crisis faced by Bangladesh for the last two years and a decrease in Bangladesh's foreign exchange reserves. Further, the profitability margin of the company is volatility in nature. It stood at 5.20 percent in FY2024 (prov) ,(1.30) percent in FY2023 as against 1.37 percent in FY2022. The improvement in operating profitability margin is on account of the increase in manufacturing sales during the period, which contributes to better profitability as compared to trading sales. The net profitability margin of the group improved to 2.53 percent in FY2024(prov) as compared to 0.99 percent in the previous year.

Going forward, Acuité believes that the scale of operations and profitability margin of the group will be key monitorable.

Intensive working capital operations

The working capital operations of the group are marked by a sharp increase in GCA days to 213 days as on March 31, 2024(prov) as compared to 68 days as on March 31, 2023. The significant increase in GCA days is mainly due to a sharp increase in inventory days, a moderate increase in debtor days and high amount of other current assets. The inventory days stood at 117 days as on March 31, 2024 (prov) as compared to 23 days as on March 31, 2023. The reason for the increase in inventory days is due to an increase in the stock of trading goods. The group also stocked up rice barns in the last quarter of FY2024 due to a decrease in rice barn prices. Further, the debtor days stood at 51 days as on March 31, 2024 (prov) as compared to 25 days as on March 31, 2023.

Parallely, the creditor days of the group increased and stood at 80 days as on March 31, 2024 (prov) as compared to 30 days as on March 31, 2023. The average bank limit utilisation of SEL for the fund based stood at 55.50 percent for the 12 months ended March 2024 and for REL stood at 27.98 percent for the 12 months ended March 2024.

Acuite believes that the working capital operations of the group will continue to be intensive in nature over the medium term.

Exposure to geographic concentration and commodity product risk

Group exports agricultural goods only to Bangladesh. Customers place orders based on demand-supply conditions in Bangladesh. Prices of commodities such as cotton, sugar and rice are significantly affected by climatic conditions and the demand-supply scenario. The revenue of the group is susceptible to fluctuations in commodity prices in a particular season, monsoons, crop yield and global demand-supply conditions.

Rating Sensitivities

- Scaling up of operations while improving their profitability while maintaining its capital structure.
- Further elongation in working capital management.

Liquidity Position: Adequate

The group has adequate liquidity marked by sufficient net cash accruals of Rs.9.12 Cr as against Rs.1.36 Cr long term debt obligations in FY2024 (prov). The cash accruals of the company are estimated to remain in the range of around Rs.4.47 Cr - Rs. 5.36 Cr during 2025-26 as against Rs.1.57 Cr long term debt obligations during the same period.

The unencumbered cash and bank balances of the group stood at Rs.1.75 Cr as on March 31,2024(prov). The liquid investment of the group stood at Rs.7.80 Cr as on March 31,2024(prov). The current ratio of the company stood low at 1.42 times in FY2024 (prov). Acuité believes that the liquidity of the company is likely to remain adequate on account of sufficient cash accruals against repayment obligations over the medium term.

Outlook: Stable

Acuité has revised the outlook on the company to 'Stable' over the medium term on account of the established track record of operations, experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue and stable 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	259.02	752.60
PAT	Rs. Cr.	6.56	7.43
PAT Margin	(%)	2.53	0.99
Total Debt/Tangible Net Worth	Times	1.39	1.76
PBDIT/Interest	Times	2.49	2.34

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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
22 Mar 2023	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3 (Assigned)
	FBN/FBP/FBD/PSFC/FBE	Short Term	18.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	50.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	12.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	25.00	ACUITE BBB- Negative (Reaffirmed)
	Post Shipment Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
08 Mar 2023	FBN/FBP/FBD/PSFC/FBE	Short Term	18.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	50.00	ACUITE A3 (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	12.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	25.00	ACUITE BBB- Negative (Assigned)
	Post Shipment Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
15 Apr 2022	FBN/FBP/FBD/PSFC/FBE	Short Term	18.00	ACUITE A3 (Assigned)
	PC/PCFC	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	20.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+ Downgraded (from ACUITE A3)
Axis Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A4+ Downgraded (from ACUITE A3)
Karnataka Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Downgraded (from ACUITE A3)
Karnataka Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BB+ Stable Downgraded Negative to Stable (from ACUITE BBB-)
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE BB+ Stable Downgraded Negative to Stable (from ACUITE BBB-)
Karnataka Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A4+ Downgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	62.00	ACUITE BB+ Stable Downgraded Negative to Stable (from ACUITE BBB-)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	SOUBHIK EXPORTS LIMITED
2	REMO EXPORTS ENTERPRISE
3	STONE VINIMAY PRIVATE LIMITED

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.