



Press Release
SIMOSIS INTERNATIONAL
September 06, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	17.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB-'** (read as **ACUITE double B minus**) and short-term rating of '**ACUITÉ A4**' (read as **ACUITE A four**) on the Rs. 35.00 Cr. bank facilities of Simosis International(SI). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects the established track record of operations and experience of the partners in the industry. Further, the rating considers the growth recorded in operating income in FY2024(Prov) albeit volatile nature of operating profit margins. Furthermore, it reflects the firm's moderate working capital operations marked by GCA days of 81 days in FY2024(Prov) and its adequate liquidity position. However, the rating is constrained by the below average financial risk profile, exposure to agro climatic risk and risk related to economic conditions of the export countries, foreign exchange and government regulations.

About the Company

Established in the year 2002, Simosis International is a registered partnership firm having 3 partners Aanshul Agrawal, Sunita Agrawal and Sanskar Agrawal. The Firm is engaged in the business of export of agro commodities. The firm procure agri commodities from farmers, grain merchants across India and process the same at its Plant situated at SEZ JNPT& Uran (Navi Mumbai). After processing the firm export the same to various countries.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Simosis International

while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations-

Established in 2002, the firm has over two decades of experience in the export business. The partners have forged strong relationships with a diverse group of customers and suppliers. Acuité believes that the experience of the management in the industry is likely to benefit the firm over the near to medium term.

Improvement in operating income; albeit volatile operating profit margins

In FY 2024 (Prov.), the firm experienced a significant increase in revenue to Rs. 94.93 Cr. marking a 28.32 % increase compared to Rs. 73.98 Cr. in FY2023. This growth is driven by increase in sales volumes and increase in average selling price. However, the operating profit margins have remained volatile and stood at 4.28% in FY2024(Prov) against 6.24% in FY2023 and 1.93% in FY2022. The Profit After Tax (PAT) margin stood at 0.76% in FY24(Prov.), as compared to 1.84% in FY23 and (1.64%) in FY2022.

Acuité believes that the ability of the firm to sustain the growth in operating income while maintaining its profitability margins will remain a key monitorable.

Moderate working capital management

The working capital operations of the firm are moderate in nature marked by GCA days of 81 days in FY2024(Prov.) against 113 days in FY2023. The debtor's collection period stood at 41 days in FY2024(Prov.) as against 46 days in FY2023. The inventory days stood at 30 days in FY2024(Prov) against 53 days in FY2023 and 27 days in FY2022. The creditor days stood at 22 days in FY2024 as against 38 days in FY2023. However, the fund-based limit utilization stood high at ~93.20 per cent over the last six months ended July 2024.

Acute believes that working capital operations of the firm may continue to remain moderate considering the nature of business.

Weaknesses

Below average financial risk profile

Financial risk profile of the firm is below average with low net worth, high gearing and below average debt protection indicators. The net worth of the firm stood at Rs. 7.10 Cr. in FY 2024(Prov.) as compared to Rs.5.12 Cr. in FY2023. This improvement in net-worth is mainly due to infusion of capital by the partners in the firm. Further, gearing of the firm stood high at 3.31 times as on 31st March 2024 as against 5.10 times as on 31st March 2023. Total outside liabilities to Tangible net worth (TOL/TNW) stood at 4.11 times as on 31st March 2024(Prov.) as against 6.51 times as on 31st March 2023. Debt service coverage ratio stood at 1.61 times in FY24(Prov.) as against 1.25 times in FY23. Interest coverage ratio stood at 1.76 times in FY24(Prov.) as against 2.15 times in FY23. Net Cash Accruals to Total Debt (NCA/TD) of the firm stood at 0.08 times for FY2024(Prov.) as against 0.10 times for FY2023. Acute believes that financial risk profile of the firm may improve going forward with no major debt-funded capex.

Exposure to agro climatic risk

The firm operates in the export of agro commodities. The availability and prices of the agricultural commodities is highly dependent on the agro climatic conditions. Hence, the operations and profitability of Simosis International is exposed to agro climatic risks.

Risk related to economic conditions of the export countries, foreign exchange and government regulations

The firm is engaged in in the export of agro commodities. This exposes the firm to the risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the firm. The profitability margins remain susceptible to fluctuations in foreign exchange rates.

However, the firm mitigates this risk by securing payment before releasing the original shipping documents. Once the cargo is shipped, the customer makes the payment afterwards original documents are sent, allowing them to release the cargo. This process ensures advance payment, safeguarding the firm against any potential defaults or payment delays.

Rating Sensitivities

- Significant growth in revenue with sustainability of the profitability margins.
- Improvement in the financial risk profile.
- Elongation in working capital cycle.

Liquidity Position

Adequate

The firm's liquidity position is adequate. The firm generated sufficient net cash accruals of

Rs.1.77 Cr. in FY2024(Prov.) as against its maturity debt obligations of Rs. 0.05 Cr. in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 2.33 – Rs.2.87 Cr. as against the maturing repayment obligations of around Rs. 0.90 Cr. over the medium term. Further, the working capital management of the firm is moderate marked by GCA days of 81 days in FY2024(Prov.) as against 113 days in FY2023. However, the reliance on working capital limits stood high at 93.20% over the last 6 months ending July 2024. The current ratio stands at 0.94 times as on 31st March 2024(Prov.) as against 0.91 times as on 31st March 2023.

Acuité believes that going forward the firm will maintain adequate liquidity position on account of expected increase in accruals generation and absence of any major debt funded capex plan in the near term.

Outlook: Stable

Acuité believes that the outlook on Simosis International will remain 'Stable' over the medium term on account of the firm's experienced management and long track record of operations. The outlook may be revised to 'Positive' if the firm registers a higher than expected growth in revenues while improving their profit margins and maintaining a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in the firm's operating revenue and margins or in case of a significant deterioration in the firm's capital structure on account of larger than envisaged working capital borrowings and further elongation in working capital management.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	94.93	73.98
PAT	Rs. Cr.	0.72	1.36
PAT Margin	(%)	0.76	1.84
Total Debt/Tangible Net Worth	Times	3.31	5.10
PBDIT/Interest	Times	1.76	2.15

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

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BB- Stable Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.04	ACUITE BB- Stable Assigned
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Term Loan	19 Oct 2020	Not avl. / Not appl.	15 Sep 2028	Simple	3.63	ACUITE BB- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	26 Nov 2021	Not avl. / Not appl.	25 Nov 2026	Simple	0.62	ACUITE BB- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	13 Dec 2021	Not avl. / Not appl.	25 Nov 2026	Simple	0.16	ACUITE BB- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	22 Mar 2022	Not avl. / Not appl.	25 Nov 2026	Simple	0.05	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kirti Berlia Associate Analyst-Rating Operations Tel: 022-49294065 kirti.berlia@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.