Press Release

SSK Exports Limited

January 24, 2025

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	119.15	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	23.85	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	**143.00 (INR One hundred and forty-three crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of SSK Exports Limited (SSKEL) is driven by stable business performance of the company in FY24 [FY refers to the period from April 01 to March 31] albeit moderation in topline supported by comfortable capital structure with satisfactory debt protection metrics. Further, the ratings continue to drive comfort from its long track record of operation under experienced promoters in tea industry coupled with established client base with diversified geographical presence. However, these rating strengths remain constrained by working capital-intensive nature of its operation, exposure to forex fluctuation risk and intense competition with exposure to geopolitical and agro-climatic risk.

The stable outlook reflects expected steady business performance of the company supported by diversified customer base coupled with long operational track record under experienced and resourceful promoters.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis

- Sustenance of the capital structure with overall gearing ratio to remain below 1x and improvement in interest coverage to over 4x on sustained basis
- Improvement in working capital management with improvement in liquidity

Downward Factors

- Moderation in operating income and/or profitability impacting the debt protection metrics on a sustained basis
- Any unplanned debt funded capex and/or substantial increase in working capital borrowings leading to impairment in capital structure with overall gearing ratio moderated to over 1.5x and/or moderation in interest coverage to below 2.5x
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the financial risk profile, particularly liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Long track record of operation under experienced promoters

SSK Exports Limited (SSKEL) has long track record of operation of nearly three decades in this segment. Moreover, Mr. Anup Kumar the Promoter and Managing Director of the company holds more than 40 years of experience in Tea and export industry. The extensive experience of promoters supports the business risk profile of the company to a largest.

Established client base with diversified geographical presence

The company, over the years has developed strong business relationships with its customers in the overseas market with the consistent quality maintained in specific tastes and blends leading to repeat orders. Export sales of SSKEL contribute more than ~95% of total revenue where the major exporting countries are Germany, UAE, USA, UK, China, leading to well diverse geographical presence and client base and rest is covered by domestic sales.

Stable business performance in FY24

Total operating income (TOI) of SSKEL has witnessed marginal moderation in FY24 as the topline has moderated from Rs.471.25 crore in FY23 to Rs.414.72 crore in FY24. Tea is one of the most preferred beverages across all regions and majority of SSKEL's revenue is derive from export. However, the margins remain susceptible to volatility in tea price due to demand supply situation in the international market driven by intense competition from other well-established brands and several regional players coupled with multiple geopolitical crisis.

Despite moderation in the topline in FY24, driven by reduced freight charges and other ancillary overhead costs, SSKEL has reported better operating margin of 6.20% in FY24 as compared to 5.39% in FY23. The absolute EBITDA also stood satisfactory at ~Rs.25.69 crore in FY24 as compared to ~Rs.25.39 crore in FY23. The PAT margin has also improved and remained satisfactory at 3.00% in FY24 against 2.91% in FY23. Gross cash accruals of the entity also remained comfortable at Rs.13.51 crore in FY24 as against scheduled repayment obligation of Rs.6.03 crore. During 9M FY25, the company has managed to churn out revenue of ~Rs.273 crore.

Comfortable capital structure with satisfactory debt protection metrics

The capital structure of SSKEL continued to remain comfortable marked by its comfortable leverage ratios. Driven by low working capital utilisation coupled with gradual repayment of term loan, the adjusted overall gearing has improved and stood at 0.57x as on March 31, 2024, against 1.68x as on March 31, 2023. Overall indebtedness as reflected by TOL/ATNW also improved and stood satisfactory at 0.93x as on March 31, 2024, against 2.13x as on March 31, 2023. The tangible net worth stood at Rs.99.31 crore as on March 31, 2024, after adjusting non-productive investment of Rs.1.03 crore. Owing to an increase in finance cost in FY24 attributable to hike in interest rate and high seasonal working capital utilisation, debt protection metrics marked by interest coverage ratio though moderated yet remained comfortable at 2.94x in FY24 against 3.76x of FY23. Total Debt/EBITDA and Total Debt/GCA have improved and remains moderate at 2.19x and 4.17 years respectively as on March 31, 2024, against 5.79x and 9.82 years respectively as on March 31, 2023.

Key Rating Weaknesses:

Exposure to forex fluctuation risk

Since majority of revenue of SSKEL is generated through export, it is exposed to forex fluctuation risk. However, to mitigate the forex risk, the company actively hedges the forex exposure by entering forward contracts from time to time. SSKEL has forward contract limit of Rs.2.10 crore. However, at times the company keep some part of the exposure unhedged. As on December 31, 2024, SSKEL’s hedged and unhedged forex exposure stood at Rs.12.40 crore and Rs.57.72 crore respectively.

Working capital intensive nature of operation

The working capital-intensive nature of operations is marked by high GCA days of 156 days as on March 31, 2024, improved from to 200 days as on March 31, 2023. The high GCA days are primarily on account of a high inventory period and moderate average collection period. The inventory period in FY24 stood at 91 days in FY24 (93 days in FY23). The working capital utilization varies through the year. The utilisation remains low ~50% during the tea production seasons (March -June/July) whereas it remains high at more than 90% mainly during the later half of the fiscal year.

Intense competition with exposure to geopolitical and ago calamitic risk

Tea is one the most popular beverage across the world. However, tea industry is facing steep competition owing to the growing demand of Coffee market which might adversely impact the business of SSKEL in the long run. In addition, the company faces intense competition from other well-established brands and several regional players in the domestic as well as in the international market. Tea is a perishable product, and demand is relatively price inelastic, as it caters to all segments of the society. Furthermore, tea availability depends on agro-climatic conditions in the domestic and international markets, leading to significant fluctuations in bulk tea prices.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Criteria of assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Complexity

Liquidity: Adequate

The liquidity profile of SSKEL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.11-~Rs.14.50 crore vis a- vis its nominal debt repayment obligation during FY25-FY27. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom well supported by a healthy the current ratio which also stood satisfactory at 2.03x as on March 31, 2024. The average fund based working capital utilization remains moderate at ~65% in the past 12 months ended December 2024. The working capital utilization varies through the year. The utilisation remains low ~50% during the tea production seasons (March -June/July) whereas it remains high at more than 90% mainly during the latter half of the fiscal year.

About the Company

Promoted by Mr. Anup Kumar and family, SSK Exports Limited (SEL) was incorporated in April 1993, and it is engaged in blending, packing and shipment of all kinds of CTC, Orthodox, Darjeeling and Nilgiri variety tea in international and domestic market. However, the company majorly derives its revenue from trading i.e., blending and exports which contributes around 95 percent of the revenue, whereas manufacturing of tea and sale in the domestic market along with sale of MEIS license contributes the rest. SSKEL has its state of art Machine Blending units in Kolkata and Coimbatore. Presently the company is managed by Mr. Anup Kumar who has more than more than four decades of experience along with four other directors and a team of experienced and technically qualified personnel.

Financials of SSK Exports Limited (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	471.25	414.72
EBITDA	25.39	25.69
PAT	13.70	12.43
Total Debt	147.07	56.30
Tangible Net worth	88.37	100.34
Tangible Net worth (Adjusted)	87.34	99.31
EBITDA Margin (%)	5.39	6.20
PAT Margin (%)	2.91	3.00
Overall Gearing Ratio (x) (Adjusted)	1.68	0.57
Interest Coverage	3.76	2.94

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release dated August 14, 2024, has continued its rating under issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Nov 03, 2023	Oct 19, 2023	-	-
1.	GECL	Long Term	6.50	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-	-
2.	Packing Credit	Long Term	112.65	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-	-
3.	Letter of Credit	Short Term	0.30	IVR A3+	IVR A3+	IVR A3+	-	-
4.	Gold Card	Short Term	21.45	IVR A3+	IVR A3+	IVR A3+	-	-
5.	Credit Exposure	Short Term	2.10	IVR A3+	-	-	-	-
6.	Proposed	Short Term	-	-	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
GECL	-	-	Dec 2025	6.50	IVR BBB/ Stable
Packing Credit	-	-	-	112.65	IVR BBB/ Stable
Letter of Credit	-	-	-	0.30	IVR A3+
Gold Card				21.45	IVR A3+
Credit Exposure				2.10	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-SSK-Exports-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis:

Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com