



Press Release

Uma Exports Limited

December 10, 2024

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	110.00	IVR BBB; Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	80.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	190.00 (Rupees One hundred and ninety 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 ratings assigned to the bank facilities of Uma Exports Limited (UEL) derives comfort from its established track record of operation under experienced management, well diversified customer and supplier base, healthy scale of operation and comfortable capital structure along with moderate debt protection metrics. However, these rating strengths are partially offset by its thin profit margin owing to trading nature of its business, exposure to intense competition, susceptibility to changes in Government policies, exposure to global demand-supply situation and agro-climatic conditions, vulnerability of profitability to foreign exchange risk and working capital intensive nature of its operation.

The stable outlook reflects expected stable business performance of the company in the near to medium term underpinned by stable demand of Agro commodities across the world.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the debt protection metrics of the company with interest coverage sustained over 2.5x



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Downward Factors

- Decline in operating income or moderation in profitability impacting the cash accrual
- Moderation in the debt protection metrics with deterioration in interest coverage to below 1.5x
- Any unplanned debt funded capex leading to moderation in the capital structure with moderation in overall gearing ratio to more than 1.5x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operation under experienced management

UEL was incorporated in 1987, hence it has a satisfactory track record of more than three decades. The company is owned by Kolkata based one Mr. Rakhesh Khemka and his family members, who have an extensive experience of around three decades in various agro-based commodities trading, both in domestic as well as in international markets. Mr. Khemka is supported by other directors and team of experienced professionals.

Established relationship with a diversified customer and supplier base

UEL's revenue stream is diversified, given its presence in both domestic and export markets, which reduces the geographical concentration. Further, the company has a diversified and established customer base with most of its clients being established players in the business of trading of agricultural commodities. The top five customers of the company accounted for ~31% of the total sales in FY2024 (FY refers to the period from April 01 to March 31). The company also has a wide supplier base with top five suppliers accounting for ~30% of the total purchases in FY2024.

Healthy scale of operation

The total operating income (TOI) of the company grew at a CAGR of ~5% during FY22-FY24. TOI witnessed an erratic trend over the last three years; it grew by ~14% y-o-y in FY23 to Rs.1434.34 crore from Rs.1260.20 crore in FY22. The increase in TOI in FY23 is driven by increase in export sales during the year. However, with exports coming down significantly following the Government of India's ban on overseas sales of certain food grains, the TOI of UEL went down by ~3.36% in FY24 to Rs.1386.10 crore. However, the company has witnessed upturn in its scale of operations during FY25 and reported a revenue of Rs.739.90



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crore in H1FY25 as against Rs.562.69 crore in H1FY24 on the back of increase in its domestic sales.

Comfortable capital structure and moderate debt protection metrics

The company has a healthy net worth (ATNW) base of Rs.172.74 crore as on March 31,2024. The company's reliance on external debt is limited, which is reflected by UEL comfortable capital structure with overall gearing of 0.71x as on March 31, 2024 (0.65x as on March 31, 2023). The marginal moderation in gearing is due to higher utilisation of bank borrowings as on the balance sheet date. The total indebtedness of the company as indicated by TOL/ATNW also remained comfortable at 0.99x as on March 31, 2024 as against 0.85x as on March 31, 2023. The debt protection metrics of the company though remained moderate, dampened in FY24 due to elevated debt levels and consequent increase in finance charges. The interest coverage ratio through remained adequate at 1.70x in FY24 moderated from 7.47x in FY23 attributable to dip in EBITDA coupled with rise in finance charges attributable to elevated debt levels. Total debt to EBITDA and Total debt to NCA also stood moderate at 8.55x and 17.62x respectively as on March 31, 2024 (2.87x and 4.03x respectively as on March 31, 2023).

Key Rating Weaknesses

Thin profit margin owing to trading nature of business

UEL's profit margin remains thin over the years with an EBITDA margin of 1.02% in FY2024 as against 2.64% in FY2023 owing to the low value additive trading nature of its operations marked by low product differentiation. Moreover, the inherent seasonality as well as volatility associated with agro commodities also impacted the margins. Further, the decline in margin in FY24 was also due to decline in exports, which used to fetch them better margins.

Exposure to intense competition

The company faces intense competition from organised and unorganised players, given the low entry barriers in the business, limiting its pricing flexibility and bargaining power. The presence of numerous unorganised players in the agro-trading industry makes UEL's sales vulnerable to volatility in the prices of commodities.

Susceptible to changes in Government policies, global demand-supply situation and agro-climatic conditions

The import and export of agricultural commodities are susceptible to Government regulations. Any adverse change in import/export duties on agricultural commodities or changes in the minimum support prices may affect the product's competitiveness. As it is involved in agro-



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commodity trading, the company also remains exposed to agro-climatic risks, changing crop patterns and the associated cyclical nature in the business.

Vulnerability of profitability to foreign exchange risk

UEL is a trading player and relies on imports and exports of agro commodities. As a result, the company is exposed to foreign exchange risks. Nevertheless, the company hedges most of its foreign exchange exposure using plain-vanilla forwards, mitigating the risk to an extent.

Working capital intensive nature of operation

The business model of the company requires that the company to maintain a certain level of inventory of agricultural produce and commodities, to meet the present and future orders. Therefore, inventory management is crucial for the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company appears adequate marked by its expected satisfactory gross cash accruals vis-à-vis debt repayment obligations in the near term. UEL has earned a gross cash accrual of Rs.6.88 crore in FY24 as against its insignificant repayment obligation. Further, the company is expected to earn a gross cash accrual in the range of ~Rs.28 crore-~Rs.51 crore as against its debt repayment obligations around ~Rs.0.10 crore during FY25-FY27. The company has adequate gearing headroom marked by its comfortable capital structure with overall gearing ratio at 0.71x as on March 31, 2024. Further, average cash credit utilisation of the company remained satisfactory at ~47% during the past 12 months ended September 2024 indicating a limited liquidity cushion.

About the Company

Uma Exports Limited (UEL) was established as a private limited company in 1987 by Mr Mukesh Khemka and was reconstituted as public limited company in 2010. Initially, UEL was engaged in the trading of building materials i.e. marble, granite, marble chips, etc. Later UEL started dealing in agricultural produce and commodities. The company trades in sugar; food grains such as rice, wheat, corn, sorghum and tea; and pulses and agricultural feed such as



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soybean meal and rice bran de-oiled cake. It exports to various countries like, Bangladesh, Sri Lanka, Malaysia, Vietnam, Pakistan and other countries in South-east Asia and along the Persian Gulf. The company imports lentils, fava beans, black urad dal and tur dal from Canada, Australia and Myanmar to sell in the domestic market. The company is a two Star Export House recognized by Directorate General of Foreign Trade and also has certificate of registration as an Exporter from the Spices Board of India. UEL has four subsidiaries which are also engaged in trading of agro products.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1434.34	1386.10
EBITDA	37.89	14.18
PAT	26.70	6.07
Total Debt	108.87	121.17
Tangible Net Worth	166.94	170.20
EBITDA Margin (%)	2.64	1.02
PAT Margin (%)	1.86	0.44
Overall Gearing Ratio (x)	0.65	0.71
Interest Coverage (x)	7.47	1.70

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Cash Credit	Long Term	110.00	IVR BBB; Stable	-	-	-
2.	Export Packing Credit (EPC)	Short Term	40.00	IVR A3+	-	-	-
3.	Post Shipment Credit (PSC)	Short Term	40.00	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/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	110.00	IVR BBB; Stable
Export Packing Credit (EPC)	-	-	-	-	40.00	IVR A3+
Post Shipment Credit (PSC)	-	-	-	-	40.00	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-UmaExports-dec24.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.