

Sharmagrow Exports Private Limited

March 11, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Short-term bank facilities	50.00	CARE A4	Downgraded from CARE A4+

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Sharmagrow Exports Private Limited (SEPL) is on account of moderation in financial performance in FY24 (refers to the period April 1 to March 31) and further moderation in H1FY25 on account of subdued export demand scenario with Bangladesh.

The rating is further constrained by its low profitability margin due to trading nature of business, profitability susceptible to volatility in prices of traded goods and foreign exchange fluctuation risk, geographical and product concentration risk and regulatory risks for agro commodities.

The weaknesses are, however, partially offset by the experienced promoters, satisfactory capital structure and debt protection metrics and adequate inventory management through warehousing facility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with PBILDT margin above 2% and improvement in ROCE above 20% on a sustained basis.
- Improvement in debt coverage metrics marked by TDGCA going below 4x on a sustained basis.

Negative factors

- Deterioration in capital structure with overall gearing beyond 1.25x on sustained basis.
- Any significant decline in scale of operations with PBILDT margin going below 1.25% on a sustained basis
- Any major withdrawal of capital by the proprietor from Sharma Exports (proprietorship firm).

Analytical approach: Combined

CARE has combined the business and financial risk profiles of Sharmagrow Exports Private Limited (SEPL) and Sharma Exports (SE) as these entities are engaged in similar line of operation and is under a common management having financial and operational linkages. Details of extent of consolidation is provided in **Annexure-6**.

Outlook: Not Applicable

Detailed description of key rating drivers:

Key weaknesses

Moderation in financial performance in FY24 and further moderation in H1FY25

The total operating income (TOI) of the Sharma group witnessed y-o-y de-growth of 28% from Rs.1211.29 crore in FY23 to Rs.874.42 crore in FY24 on account of subdued export demand scenario for maize, rapeseed and soybean with Bangladesh. Furthermore, the export of De-oiled Rice Bran (DORB) has been banned by the government until September 2025. This has resulted in a negligible contribution of DORB to total sales.

Inline with decline in revenue, PBILDT margin has also moderated from 2.01% in FY23 to 1.74% in FY24 along with decrease in realisation. Being trading nature of operation, the profit margins are relatively low.

In H1FY25, the revenue has further declined to Rs.122 crore as against Rs.365.65 crore in H1FY24. The decline in revenue is on account of reduction in export of major products of the group ie maize, soybean, rapeseed and DORB. The decline in revenue has led to moderation in profitability as well.

Low profitability margin due to trading nature of business

Given the trading nature of business along with intense competition, the group operates at a low PBILDT margin in the range of 1%-2%, since trading business has limited value addition, low entry level barriers which keeps the competition intense and the industry remains fragmented in nature.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Profitability susceptible to volatility in prices of traded goods & foreign exchange fluctuation risk

The profitability is susceptible to sharp volatility in the prices of traded goods. Furthermore, the group's profitability is also exposed to foreign exchange fluctuation risks as around 80% of the total operating income are generated through exports. However, the group usually hedges its open forex positions through forward cover, which mitigates the risk to an extent.

Geographical and product concentration risk

The group is mainly into trading of agricultural products like maize, de-oiled rice bran, soyabean extraction, rapeseed, cotton seed, chickpass and wheat.

The export sales of the group constitute roughly 80% of its total operating income. The group only exports its goods to Bangladesh. In the domestic market, the group mainly sells its product in Bihar and West Bengal regions thereby exposing the group to geographical concentration risk.

Regulatory risks for agro commodities

Being an exporter of various agro commodities, the group is subject to regulatory risks as the Indian government monitors the pace of agro exports and seeks to implement measures to ration exportable supplies to conserve supplies for the domestic sector in case of lower production.

Key strengths

Experienced promoters

Bikash Sharma, the promoter of SEPL, is engaged into trading of agro commodities since 2006. The day-to-day affairs of the group is looked after by him along with support of experienced professionals.

Satisfactory capital structure and debt protection metrics

Capital structure of the group witnessed improvement and continues to remain satisfactory marked by improvement in overall gearing from 1.22x as on March 31, 2023, to 0.64x as on March 31, 2024. The improvement is majorly on account of reduction in working capital borrowings. The term debt continues to remain negligible. The debt coverage indicators marked by TDGCA witnessed slight moderation despite reduction in total debt, on account of reduction in GCA. Interest coverage has also moderated to 2.61x in FY24 vis-à-vis 4.31x in FY23 due to decline in absolute PBILDT.

Adequate inventory management through warehousing facility

The group has a well-established logistical network for procuring and exporting various agro commodities from various parts of the country. The group's inventory management takes place through its 7 warehouses located in Siliguri and Malda wherein one is owned and other six are rented. This helps the group to manage the flow of inventory efficiently and reduce in-transit time.

Liquidity: Stretched

Liquidity of the group is stretched with continuous decline in GCA from Rs.17.06 crore in FY23 to Rs.8.85 crore in FY24 and further to Rs.1.69 crore in H1FY25. However, the average utilisation of its working capital limit has been moderate at around 50% to 60% during the past 12 months ended January 2025, as confirmed by the lender. Further, as maintained by the management, collection from customers in Bangladesh are occasionally getting delayed by around 20-30 days which puts additional pressure on the liquidity profile of the group in the current year.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

SEPL was incorporated in July 2019 by Bikash Sharma. The company is engaged in trading of various agro products such as soyabean extracts, maize, rape seed extract, non-basmati rice, rice bran and wheat. The company sells in the domestic market (mainly in West Bengal and Bihar) and also exports to Bangladesh. The company belongs to Sharma group with M/s. Sharma

Export (registered in 2013), the proprietorship firm of Bikash Sharma, being the flagship entity. The firm is also engaged in trading of various agro products such as soyabean extracts, maize, rape seed extract, non-basmati rice, rice bran and wheat. These products are used as animal feed. The board comprises Bikash Sharma who handles day to day affairs of the group as a whole and his wife Sneha Sharma.

Standalone Financials

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	740.71	655.52	95.49
PBILDT	13.66	11.61	2.23
PAT	8.40	8.93	1.43
Overall gearing (times)	2.08	0.74	NA
Interest coverage (times)	5.41	3.37	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Combined Financials

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1211.29	874.42	122.10*
PBILDT	24.39	15.21	2.58
PAT	16.89	8.72	0.32
Overall gearing (times)	1.22	0.64	NA
Interest coverage (times)	5.41	3.37	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

*Inter-group transaction adjustments not done in H1FY25 financials

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-EPC/PSC		-	-	-	10.00	CARE A4
Fund-based - ST-Foreign Bill Discounting		-	-	-	40.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-Foreign Bill Discounting	ST	40.00	CARE A4	-	1)CARE A4+ (21-Mar-24)	-	-
2	Fund-based - ST-EPC/PSC	ST	10.00	CARE A4	-	1)CARE A4+ (21-Mar-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-EPC/PSC	Simple
2	Fund-based - ST-Foreign Bill Discounting	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sharma Export	Full	Operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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