June 18, 2025

Sakuma Exports Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund-based- Others	121.50	124.30	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Long term/Short term - Unallocated limits	43.50	40.70	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Total	**165.00**	**165.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating action factors in the established relations of Sakuma Exports Limited (SEL) with reputed clients worldwide, evident from the company's stable operational track record and the extensive experience of its promoters of over two decades in the agricultural commodities trading business. SEL is among the leading exporters of sugar from India. Additionally, the ratings take into account SEL's prudent risk management strategies addressing commodity price volatility, foreign exchange fluctuations and credit exposure, along with its well-diversified base of customers and suppliers.

ICRA notes that the financial profile of the company moderated in FY2025 due to lower margins and increased debt; however, it remains comfortable with a healthy net worth of Rs. 706.99 crore as on March 31, 2025, aided by an equity infusion of around Rs. 200 crore. This has translated into low gearing levels and comfortable coverage metrics with an interest coverage ratio of 3.90 times in FY2025, although moderated from the previous fiscals.

ICRA notes that SEL has high product concentration, with sugar accounting for almost the entire revenue. In October 2023, the Indian government imposed a ban on sugar exports, resulting in a significant decline in SEL's annual turnover for FY2024. On January 20, 2025, the Union government partially lifted the ban, permitting the export of one million metric tonnes of sugar for the 2024-25 season, which concludes in September. This policy change has resulted in a relatively more favourable business environment for the current sugar year compared to the previous year; however, the company engaged in the trading of other products with lower margins, thereby impacting its overall profitability. As the opportunities in sugar exports are limited, SEL ventured into sugar sales to institutions along with maize procurement and trading. The company's operating margins remain thin owing to the trading nature of its operations, which coupled with the seasonality of the business increased the borrowings and dependence on creditors and advances at year-end.

Further, given its involvement in agricultural commodities, the company's operations are inherently exposed to changes in Government policies, evolving geopolitical dynamics and regulatory frameworks governing commodity imports in various countries. Additionally, the business remains vulnerable to unpredictable agro-climatic conditions. A significant portion of SEL's revenue stems from sugar exports, making its performance highly sensitive to global demand-supply trends and the resulting fluctuations in commodity prices, which can materially influence both its operational and financial outcomes. Further, the shift to maize has blocked additional working capital upfront to secure the godowns for maize, which will ease as the year progresses. However, this scenario is likely to remain similar almost every year now.

The Stable outlook reflects ICRA's expectation that SEL will continue to benefit from of the company's long operational track record and its established relationship with customers and vendors.

Key rating drivers and their description

Credit strengths

Well-defined risk mitigation policies - SEL has robust risk mitigation policies to hedge the fluctuations in commodity prices, foreign exchange rates and credit risk. To manage the foreign exchange risk, the company utilises forward contracts. For commodity price fluctuations, SEL employs methods such as back-to-back procurement and sales agreements, participation in commodity exchanges and other hedging instruments.

The entire institutional sales business is back-to-back, and the company typically does not take any inventory risk on itself. In the case of maize, the selling price is determined by the mandi price plus carrying costs and a fixed margin. SEL requires 10% advance at the time of the warehouse booking and another 10% when the price is fixed. Additionally, SEL takes a 10% mark-to-market from customers to hedge against price declines. The company's sales are also partly backed by letters of credit or advance payments from customers to mitigate the credit risk.

Diversification in product profile with introduction of maize; institutional sugar sales to add to revenue stability – After the ban on sugar exports, SEL began supplying to institutions such as Britannia and ITC, with this segment showing rapid growth. Although the return on investment (ROI) from institutional sales is relatively low compared to exports, this business model is considered sustainable in the long term as the volumes remain stable. Simultaneously, Sakuma Exports is broadening its product mix by entering the maize trade. The company sources maize directly from farmers in eastern India during the peak procurement months of May and June and supplies it to ethanol manufacturers throughout the year. Hence, the maize and sugar businesses complement each other, and the company can do good business during the entire year.

Comfortable financial risk profile, although restrictions on sugar exports impacted margins to some extent - In FY2025, the profit margins had moderated as sugar exports were restricted and the working capital intensity increased, primarily due to significant advances extended for maize procurement. However, this was largely financed through equity infusion, thereby minimising any material impact on the company's liquidity and leverage metrics.

The company's financial profile remains stable, with a healthy net worth Rs. 707 crore as on March 31, 2024, restricting the reliance on external debt to working capital facilities required to meet incremental funding requirements arising from the increased scale of operations. Over the years, SEL has continued to have a healthy capital structure with a gearing ratio of 0.15x and TOL/TNW of 0.29x. Despite some increase in the working capital debt, SEL's capital structure and coverage metrics are expected to remain healthy, going forward.

Credit challenges

Lower operating margin owing to trading nature of business- SEL's margin remains thin with an OPBDITA margin of 0.6% in FY2025 owing to the trading nature of the operations, the inherent seasonality in business operations and the exposure to agro-climatic risks, being a dealer of agricultural commodities. Further, any adverse changes in regulatory policies related to sugar exports will have a direct impact on the company's operations. The operating profit margin moderated in FY2025 as the return on investment (ROI) from institutional sales is relatively low compared to exports. However, the interest and finance expenses have remained low, given the significant reliance on customer advances and creditors to support the growth requirements. Nonetheless, given the inherent thin margins in the trading business, the net profitability also remained low at 0.6% in FY2025.

Product concentration risk, with sugar contributing to majority of revenues - SEL's product concentration has remained very high in recent years, with sugar accounting for almost the entire revenue. In October 2023, the Indian Government stopped sugar exports, which caused a massive drop in SEL's business in FY2024. On January 20, 2025, the Government again allowed exports up to 1 million metric tonnes for the 2024-25 season, which ends in September. This change has slightly improved the business environment for SY2025 compared to last year.

In order to tide itself over the export hurdles, the company has ventured into maize and sugar trading in the domestic market. While the traded product mix may diversify to some extent with the increase in international trade (primarily through overseas subsidiaries), the contribution of sugar in the traded product portfolio is expected to remain high, exposing SEL to the inherent cyclicality of the sugar industry.

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 price may affect the product's competitiveness. Further, the volume of export (particularly sugar) may vary from year to year, subject to policy announcements by the Government of India based on the level of sugar production. Also, as a major portion of the company's revenue is generated from sugar, the global demand-supply situation will have a significant impact on its business operations and financial performance. Being involved in agro-commodity trading, the company also remains exposed to agro-climatic risks, changing crop patterns and the associated cyclicality in the business. The company's product mix, thus, has to continually adapt to the changing crop patterns.

Environment and social risks

Environmental risks - Entities like SEL that are involved in the trading of agro-commodities are directly exposed to climate risks which affect sugarcane production and yield. Excessive or deficient rainfall in the sugarcane-producing regions affects cane availability. However, the company primarily sources order-backed sugar from mills based out of Maharashtra and northern Karnataka that have high sugar recovery rates and a longer crushing season with adequate availability of cane, thereby mitigating the climatic risks to a certain extent.

Social risks - The worldwide societal shift to less sugar-intensive food products considering the health issues related to high sugar consumption could structurally reduce the demand for sugar products. However, such changes in consumer behaviour or any other drivers of change are expected to be relatively slow-paced.

Liquidity position: Adequate

SEL's liquidity position remains adequate. The company's cash flows from operations are constrained by high working capital requirements, especially during the peak season of the sugar and maize cycle. The company funds its working capital through working capital facilities and advances from customers. Despite the high working capital requirements during the peak season, sufficient cushion is available against the drawing power. Further, the company has credit balances in the non-peak season. Also, the liquidity is supported by cash and liquid investments of around Rs. 25.9 crore as on March 31, 2025.

Rating sensitivities

Positive factors – ICRA could upgrade SEL's ratings if there is a substantial growth in its revenues with the diversification in the traded product portfolio, and healthy internal accruals that would strengthen the liquidity profile on a sustained basis.

Negative factors – Pressure on SEL's ratings could arise if the revenues decline and the operating margins deteriorate, resulting in lower cash flows on a sustained basis. A deterioration in the working capital cycle impacting the company's liquidity position could also be a trigger for downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Sakuma Exports Limited. The companies are enlisted in Annexure II

About the company

Sakuma Exports Limited (SEL/Sakuma) was started as a partnership firm in 1999 by Mr. Chander Mohan Malhotra and his son - Mr. Saurabh Malhotra, and was subsequently converted into a public limited company in August 2005. The company is involved in the trading of agro-commodities like sugar from its Indian entity and other agro-commodities such as edible oil, pulses, cotton and rice through its overseas subsidiaries. However, most of the company's revenue is generated through trading of sugar. Sakuma's customer portfolio comprises some of the large and globally established agro-trading companies.

Key financial indicators (audited)

SEL (Consolidated)	FY2024	FY2025
Operating income	2124.7	2289.6
PAT	40.0	14.8
OPBDIT/OI (%)	1.7%	0.6%
PAT/OI (%)	1.9%	0.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.2
Total debt/OPBDIT (times)	2.8	7.6
Interest coverage (times)	9.1	3.9

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Fund-based - Others	Long/Short term	124.30	Jun 18, 2025	**[ICRA]BBB (Stable)/ [ICRA]A3+**	-	-	Mar 28, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-
Long term/Short term - Unallocated limits	Long/Short term	40.70	Jun 18, 2025	**[ICRA]BBB (Stable)/ [ICRA]A3+**	-	-	Mar 28, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Jan 31, 2023	[ICRA]]BBB (Stable)/ [ICRA]A3+
Long term/Short term - Working capital facilities	Long/Short term			-	-	-			Jan 31, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based - Others	Simple
Long term/Short term - Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term/Short term – Fund-based - Others	-	-	-	124.30	[ICRA]BBB (Stable)/[ICRA]A3+
NA	Long term/Short term - Unallocated limits	-	-	-	40.70	[ICRA]BBB (Stable)/[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Sakuma Exim DMCC	100.0%	Full consolidation
Sakuma Exports PTE Limited	100.0%	Full consolidation
Sakuma Impex Ltd	100.0%	Full consolidation
Sakuma Exports (Ghana) Ltd	100.0%	Full consolidation
Sakuma Exports Tanzania Pvt. Ltd	100.0%	Full consolidation
GK Exim FZE W.L.L	100.0%	Full consolidation

Source: *SEL annual report FY2024*

Note: *ICRA has taken a consolidated view of the parent (SKL) and its subsidiaries while assigning the ratings*

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