



Press Release

SA Trading Company

July 15, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator Simple
Long Term Bank Facilities	13.50	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	Assigned	
Total	13.50	(Rupees Thirteen Crore and Fifty Lakh 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

Infomerics Ratings has assigned its rating of IVR BB- with a stable outlook to the long-term bank facilities of SA Trading Company.

The rating draws comfort from extensive experience of the proprietor along with moderate scale of operations albeit thin profitability. However, these rating strengths are partially offset by leveraged financial risk profile, inherent risk of proprietorship firm along with working capital intensive nature of business.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that SA Trading Company will continue to benefit on account of experienced proprietor and growing scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of SA Trading Company up to 31 March 2023 (refers to period April 1st, 2022, to March 31st, 2023), provisional FY24 results (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



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- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in Financial Risk profile marked by overall gearing below 1.5x on sustained basis.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced proprietor**

The operations of SA Trading Company are being managed by Mr Mohammed Ashraf Beigh who holds an experience of more than four decades in the same industry. The longstanding presence in the industry has resulted in the firm being able to establish strong relationships with customers and suppliers.

- **Moderate scale of operations albeit thin profitability**

The total operating income (TOI) of the firm has witnessed growth of 13.27% and stood at Rs. 32.05 crore in FY24 (Provisional) compared to Rs. 28.29 crore in FY23 on account of high demand of its products in the market. As per the provisional results for FY24, the firm has reported EBITDA of Rs. 3.09 crore compared to Rs. 2.50 crore during FY23(A). Further, the PAT stood at Rs. 0.58 crore in FY24(P) increased from Rs. 0.46 crore in FY23. The GCA stood at Rs. 0.85 crore in FY24(P) improved from Rs. 0.49 crore in FY23 on account of increase in scale of operations and profitability.

The EBITDA margin of the firm has improved by 80 bps and stood at 9.64% in FY24(P) compared to 8.84% in FY23 on account of decline in raw material consumption cost. With improvement in EBITDA margins, the PAT margin of the firm has also improved by 17 bps and stood at 1.81% in FY24 (P) compared to 1.64% in FY23.



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Key Rating Weaknesses

- **Leveraged financial risk profile**

The overall gearing of the firm improved from 3.04x as on March 31, 2023, to 2.95x as on March 31, 2024, on account of accretion of profits to general reserves. The TOL/TNW stood at 3.23x as on March 31, 2024, improved from 3.30x as on March 31, 2023, on account of improvement in TNW. The debt protection metrics stood moderate marked with ICR at 1.53x in FY24 improved from 1.41x in FY23. The DSCR stood at 0.99x in FY24 (against 0.92x in FY23). The Total Debt/GCA stood high at 19.87x as on March 31, 2024 improved from 32.84x as on March 31, 2023 on account of improvement in GCA.

- **Inherent risk of proprietorship firm**

The firm has been formed as a proprietorship concern and being a proprietorship firm, there will always be a risk of withdrawal of funds by the proprietor.

- **Working capital intensive nature of business**

The operating cycle of the firm stood elongated at 259 days in FY24 improved from 279 days in FY23 on account of improvement in collection days. Since the product is hand-made and the industry is labour intensive in nature, therefore it takes a lot of time to produce the final product leading to higher operating cycle.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Rating Methodology for Trading Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

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



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Liquidity – Stretched

The firm's liquidity is stretched account of expectation of low cash accruals vis-a-vis debt repayments. The current ratio of the firm stood above unity at 1.42x as on March 31st, 2024. The unencumbered cash and bank balance as on March 31, 2024, stood at Rs. 0.04 Crore. The average consolidated utilisation for fund-based limits during the last 12 months ending March 2024 stood at 98.24 %. The firm is expecting the Gross cash accrual in the range of Rs 0.98 Crore to Rs. 1.14 Crores as against the repayment obligation in the range of Rs. 0.80 crore to Rs. 0.65 crore during FY 2025-27.

About the Firm

SA Trading Company is a proprietorship firm managed by Mr. Ashraf Beigh in 1986. Further, in 2006, the firm got registered under MSME Act. The firm is engaged in manufacturing of handmade woolen/silken/pashmina shawls, scarfs, mufflers and other related products. The firm is also involved in trading of winter garments (sold under the brand name OOSHIN) and the firm also has 10 retail stores for winter garments in Jammu & Kashmir.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	28.29	32.05
EBITDA	2.50	3.09
PAT	0.46	0.58
Total Debt	16.13	16.89
Tangible Net Worth	5.30	5.72
EBITDA Margin (%)	8.84	9.64
PAT Margin (%)	1.64	1.81
Overall Gearing Ratio (x)	3.04	2.95
Interest Coverage (x)	1.41	1.53

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:



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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.	Fund Based	Long Term	13.50	IVR BB-/Stable	-	-	-

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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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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
Long Term Facility – Cash Credit	-	-	-	-	13.50	IVR BB-/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SATrading-july24.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.