



Press Release

Sara International Pvt. Ltd

Feb 08, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	61.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Downgraded	Simple
Short Term Bank Facilities	38.50	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	Downgraded	Simple
Total	100.00	Rupees Hundred Crores Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has downgrade the long-term rating to IVR BBB - with a stable outlook and short-Term rating to IVR A3 for the bank loan facilities of Sara International Pvt. Ltd (SIPL) due to decline in the profitability Margins and Stretched Debt Protection metrics.

The ratings of Sara International Pvt. Ltd (SIPL) continue to derive strength from the vast experience of the management and established track record of operations, continuous increase in the scale of operations, satisfactory capital structure and interest coverage ratio, moderate working capital cycle availability of substantial liquid assets to meet unforeseen demands. Furthermore, Sara International Private Limited has won the final award declared by the arbitrators of Rs. 131.00 crore in June 2021. It will help the company going forward to repay its debt, fund its working capital requirements as well to support the growth of the business. However, these strengths are partially offset by low profitability margins in a competitive and fragmented trading industry, moderate customer, supplier concentration risk and exposure to foreign currency fluctuation risk and stretched debt protection metrics.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SIPL business risk profile will be maintained over the medium term.

IVR has principally relied on the standalone audited financial results of SIPL upto 31 March 2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Sustainable improvement in revenue and profitability and debt protection metrix.
- Improvement in working capital management.

Downward Factors

- Decrease in operating profit margins to a level of 4% or below.
- Weakening of financial risk profile on account of large working capital requirement owing to large inventory requirements or significant debt-funded capital expenditure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

SIPL's management rests in the hands of Mr. Devinder Pal Singh, who has been associated with the company for over 25 years. He holds a post graduate degree in Economics from Punjab University along with a Diploma from the Indian Institute of Foreign Trade, New Delhi. He is assisted by a team of well qualified and experienced professionals in handling the day-to-day operations of the business.

Above average financial risk profile

Tangible net worth of the company remains moderate at Rs.114.63 Cr coupled with total debt to Rs. 94.89 Cr, resulting into moderate level of gearing at 0.83 times as on March 31, 2023 (PY: 0.74 times as on March 31, 2022). Furthermore, total indebtedness as reflected in TOL/TNW further adequate at 1.07x as on March 31, 2023 as against 1.11x as on March 31, 2022.

Substantial liquid assets to meet unforeseen demands

SIPL had gross investments to the tune of Rs.19.77 crores in equity shares, debentures and mutual funds, as on March 31, 2023 which can be used to meet unforeseen demands. This



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provides some amount of liquidity comfort to the Company. Furthermore, Sara International Private Limited has won the final award declared by the arbitrators of Rs. 131.00 crore in June, 2021. It will help the company going forward to repay its debt, fund its working capital requirements as well to support the growth of the business.

Key Rating Weaknesses

Low profitability margins

The company is a pure trading entity that deals majorly in metal commodities along with agro products as well as textile fabric and machinery. They procure the materials from the primary producers and sell them to their customers. Despite moderate EBITDA margins, the company has posted profit after tax of Rs.1.33 cr, in FY2023 (PY: Rs.3.88 Cr in FY2022). Furthermore, net margins remain weak at 0.50- 1.50% as attributed to trading nature of operations.

Competitive and fragmented nature of industry

The metal trading business is highly fragmented with several players in the market resulting in the company facing fierce competition and low entry barrier due to asset-light model. The pricing power of SIPL is low given that volume discounts offered by the companies and the credit period extended to its customers being the only tools to attract and retain customers.

Modest debt protection metrics

For the fiscal ended 2023, Total Debt/ GCA of the company remains stretched at 46.51x, due to comparatively higher debt levels as against its gross cash accruals. However, the interest coverage ratio remained positive on account of positive EBITDA posted during the year. Interest Coverage ratio may remain at a similar level over the medium term owing to high interest costs and weak profitability margins attributed to trading nature of operations.

Analytical Approach: For arriving at the ratings, IVR has analysed SIPL credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Trading Entities](#)

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



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Criteria for Assigning Rating Outlook

Liquidity – Adequate

SIPL's bank limits remained utilized over 80% (against DP) in last thirteen months ending November 2023, which provides limited credit lines available for incremental working capital requirements. However, Investments in equity shares of blue-chip companies, Debentures and mutual funds support the liquidity of the Company which stood at Rs. 4.83 Cr, Rs 6.38 Crore and Rs.8.41 Cr respectively in FY23. Cash accruals are expected at around Rs.12.30-14.15 crore during the year 2024- 26 against the expected repayment obligation of close to Rs.3.18-2.50 Cr during the same period.

About the Company

Incorporated in 1973, Sara International Pvt Ltd (SIPL) is a part of the Sara Group, which is engaged in bulk trading of metal commodities such as chrome ore lumps, zinc, manganese, and steel along with agro commodities. Apart from these, it also trades in textile fabrics and sewing machines. The Company is also engaged in trading/sales of immovable properties. The company is steered by its directors, who have more than 20 years of experience on an average.

Financials (Standalone):

For the year ended as on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	286.79	295.84
EBITDA	12.29	13.35
PAT	3.87	1.33
Total Debt	84.17	94.88
Tangible Networkth	113.57	114.63
EBITDA Margin	4.25%	4.59%
PAT Margin	1.33%	0.45%
Overall Gearing ratio	0.74x	0.83x

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated : Nov 24, 2022	Date(s) & Rating(s) assigned in 2022-23 Dated : Oct 25, 2022	Date(s) & Rating(s) assigned in 2021-22 Dated : Aug 18, 2021	Date(s) & Rating(s) assigned in 2020-21 Dated : May 19, 2020
1	Cash Credit	Long Term	61.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
2	Overdraft	Short Term	8.50	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)
3	LC/BG	Short Term	30.00	IVR A3 (IVR A Three)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)

Name and Contact Details of the Rating Analyst:

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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



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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 visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	61.50	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
Overdraft	-	-	-	8.50	IVR A3 (IVR A Three)
LC/BG	-	-	-	30.00	IVR A3 (IVR A Three)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Sara-International-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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