

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Saraf Trexim Limited

June 10, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Short Term Bank Facilities – Packing Credit	46.00	IVR A4+ (IVR A Four Plus)	Assigned
Short Term Bank Facilities – Bill Discounting	4.50	IVR A4+ (IVR A Four Plus)	Assigned
Total	50.50		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Saraf Trexim Ltd (STL) favourably factors vast experience of the promoters with its established track record, established clientele, growing scale of operations and efficient working capital management. However, the rating strengths are partially offset by its low profit margins, presence in intensely competitive trading segment and moderate debt protection metrics. Growth in scale of operations, profitability, efficient working capital management and gearing level are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record

The promoter director of the company Mr. Basant Kumar Saraf has more than two decades of experience in the trading of agro and steel products. The extensive experience has helped the company in establishing comfortable relationship with customers in the export market.

Established clientele

The company has long term relationship with clients in Bangladesh and Nepal. The company has been selling a substantial portion to clients having established presence in the aforesaid countries. Most of the sales are repeat orders from existing clients.

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Growing scale of operations

The total operating income of the company expanded at a CAGR of ~104% over the last three years. However, the scale of operation remained modest with a PAT of Rs.1.62 crore on total operating income of Rs.228.4 crore FY18. Further, the company has achieved a total operating income of Rs.348.58 crore in FY19 (Provisional).

Efficient working capital management

The working capital cycle of the company has been low. It has been managing its receivables collection well (being within 5 days in the last three years), on account of transactions done on 'sight letter of credit' basis.

Key Rating Weaknesses

Intense competition

The operations of the company are intensely competitive due to presence of many players in the trading industry.

Low profit margins

Owing to the trading nature of the business marked by low value addition and high competition, the EBITDA margin and PAT margin remained low.

Moderate debt protection metrics

The financial risk profile is marked by moderate debt protection metrics. The overall gearing is high and stood at 4.16x as on March 31, 2018, mainly on account of the packing credit availed by the company to fund trade purchases (payments for which are made in advance). The interest coverage stood at 1.90x in FY18, improved from 1.67x in FY17.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition and Post-Default Curing Period

Liquidity

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The current ratio of the company remained adequate at 1.19x as on March 31, 2018. Further, the company is expected to generate modest cash accruals going forward and with minimal debt repayment obligations the liquidity position of the company is expected to remain adequate in near to medium term.

About the Company

Incorporated in 2007, Saraf Trexim Limited (STL) is a Kolkata based company engaged in trading of various commodities such as agri-commodities, spices, poultry feed, iron & steel products and chemicals. The company is a leading merchant export house with trading house certification (Two Star) from the Govt. of India. The company was promoted by Mr. Basant Kumar Saraf having more than two decades of experience in the existing line of business. Their clientele includes buyers situated in countries like Bangladesh, Nepal, China, South Africa, USA, Madagascar among others.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	180.30	228.40
EBITDA	4.16	5.33
PAT	1.10	1.62
Total Debt	39.36	36.82
Tangible Net worth	7.24	8.86
EBITDA Margin (%)	2.31	2.33
PAT Margin (%)	0.61	0.71
Overall Gearing Ratio (x)	5.44	4.16

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Short Term Fund Based Limits – Packing Credit	Short Term	46.00	IVR A4+	-	-	-
2.	Short Term Fund Based Limits – Bill	Short Term	4.50	IVR A4+	-	-	-

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	Discounting						

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Deepayan Ghosh

Tel: (033) 46022266

Email: deepayanghosh@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities – Packing Credit	-	-	-	46.00	IVR A4+
Short Term Bank Facilities – Bill discounting	-	-	-	4.50	IVR A4+

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