

June 04, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit Limit	40.00	SMERA A4+ (Assigned)
Bill Discounting	5.00	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.45.00 crore bank facilities of Saraf Trexim Limited (STL). The rating is supported by the company's experienced management, strategic location and efficient working capital management. However, the rating is constrained by the company's exposure to geographical concentration and agro-climatic risks and the company's below-average financial risk profile. The rating is also constrained by the low profit margins and the intense competition.

STL, incorporated in 2007, is a Kolkata-based company engaged in the trading of agro commodities and steel products. The company is located close to wheat and rice growing areas in West Bengal and is promoted by Mr. Basant Saraf and Mrs. Meera Saraf, who have around two decades of experience in the said line of business and they are ably supported by experienced second line of management. STL's efficient working capital management is reflected in the working capital cycle of eight days in FY2013-14.

With the entire revenue of STL coming from Bangladesh, the company's rating is constrained by geographical concentration risk considering possible adverse changes in trade regulations. The company is also exposed to agro-climatic risks affecting the availability of rice and wheat. Besides, STL's below-average financial risk profile is marked by high gearing (debt-to-equity ratio) of 2.44 times as on March 31, 2014 and moderate interest coverage ratio of 1.24 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's total debt of Rs.17.00 crore (as on March 31, 2014) comprises packing credit limit of Rs.15.95 crore and subordinated unsecured loans of Rs.1.05 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. STL's operating profit margin is low at 1.33 per cent in FY2013-14, given the trading nature of the business. Moreover, the company is exposed to intense competitive pressure also.

About the Company

STL, incorporated in 2007, is a Kolkata-based company promoted by Mr. Basant Saraf and Mrs. Meera Saraf to trading in agro commodities such as rice, wheat, sugar among others. Additionally, the company also trades in steel products. STL reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.186.35 crore for FY2013-14, as compared with PAT of Rs.0.05 crore on operating income of Rs.38.99 crore in FY2012-13. The company's net worth stood at Rs.6.55 crore (including unsecured loan of Rs.1.05 crore) as on March 31, 2014, as against Rs.6.39 crore (including unsecured loan of Rs.1.30 crore) a year earlier.

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SMERA RATINGS LIMITED

Saraf Trexim Limited (STL)

*Rating
Rationale*

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