

Saraf Trexim Limited: Downgraded

Facilities	Amount (Rs Crore)	Rating/Outlook
Packing Credit	40.00	SMERA A4 (Downgraded from SMERA A4+)
Bill Discounting	5.00	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the ratings of the above mentioned Rs.45.00 crore short term (fund based) bank facilities of Saraf Trexim Limited (STL) to '**SMERA A4' (read as SMERA A four)** from 'SMERA A4+' (read as SMERA A four plus).

The rating downgrade factors in the significant decline in revenue, exposure of the company to geographical concentration and agro-climatic risks and below average financial risk profile. The rating is also constrained by the low profit margins and intense competition in the agro and steel industries. However, the ratings are supported by the experienced management, strategic location and efficient working capital management.

STL has achieved operating income of Rs.54.00 crore in FY2015-16 (provisional), a significant decline from Rs.159.10 crore in FY2014-15. The company reported profit before tax (PBT) of Rs.0.43 crore in FY2014-15 against PBT of Rs.0.59 crore in FY2013-14. The moderate financial risk profile is marked by moderate gearing (debt-to-equity) of 2.35 times in FY2014-15 against 2.44 times in FY2013-14 and interest coverage of 1.24 times in FY2014-15 against 1.24 times in FY2013-14. Around 61 per cent of the packing credit limit has been utilised from September 2015 to March 2016. Moreover, the company registered PAT margin of 0.09 per cent in FY2014-15 as against 0.22 per cent in FY2013-14. STL operates in an intensely competitive segment of the agro and steel industry.

Rating Sensitivity Factors

- Scaling up of operations
- Improvement in profit margins and capital structure

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

STL, incorporated in 2007, is a Kolkata-based company promoted by Mr. Basant Saraf and Mrs. Meera Saraf. The company is engaged in the trading of agro commodities such as rice, wheat, sugar among others as also steel based products such as billets and ingots.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.159.10 crore, as compared with profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.186.35 crore in FY2013-14. The net worth stood at Rs.6.67 crore as on March 31, 2015 against Rs.6.55 crore a year earlier. The company has achieved the operating income of Rs.39.00 crore in FY16-17 (from 1st April 2016 to 27th July 2016).

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
04 June , 2015	Packing Credit	40.00	-	SMERA A4+ (Assigned)	-
	Bill Discounting	5.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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