

Press Release

Saraf Trexim Limited

17 August, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 45.00 crore facilities and assigned short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs 15.00 crore facilities of Saraf Trexim Limited.

Saraf Trexim Limited, 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 like rice, wheat, sugar among others as also steel products such as billets and ingots. Additionally the company also began trading in chemicals (bleaching powder) for the textile industry from FY2015-16.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter, Mr Basant Saraf has more than a decade of experience in the agro products and steel industry. The long track record of operations has helped the company establish long term relations with reputed customers (especially in Bangladesh).

- **Moderate working capital management**

The moderate working capital is marked by low Gross Current Asset (GCA) days of 80 in FY2017 (Provisional) and 150 in FY2016. This is because of inventory days of 18 and 39 in FY2017 (Provisional) and FY2016 respectively. The debtors have been well managed at 5 and 4 days in FY2017 (Provisional) and FY2016. The efficient working capital management has resulted in moderate bank limit utilisation of around 70 per cent in the past six months till June 2017.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is marked by low networth, high gearing, and modest debt protection metrics. The networth is low at Rs 7.78 crore in FY2017 (Provisional) from Rs 6.75 crore in FY2016. The gearing stood at 5.06 times in FY2017 (Provisional) compared to 3.89 times in FY2016. The total debt of Rs 39.36 crore in FY2017 includes Rs 0.30 crore of inter corporate borrowings and Rs 39.06 crore of short term borrowings. The interest coverage stands at 1.68 times in FY2017 (Provisional) compared to 1.10 times in FY2016. The Net cash accruals to total debt (NCA/TD) stood at 0.03 times in FY2017 (Provisional). SMERA believes that the company will maintain consistent financial risk profile over the medium term.

- **Geographical concentration**

Since STL exports around 95 per cent of its goods to Bangladesh, the sales and margins are exposed to political changes and economic downturns in the country. This can be validated

from the fact that the company had witnessed fluctuating revenue in the last five years ended FY2017. The revenue grew from Rs.38.99 crore in FY2013 to Rs 179.46 crore in FY2017 (Provisional). In FY2016, the company registered significant decline in revenue to Rs 53.65 crore from Rs 159.10 crore in FY2015. This was due to significant decline in the Russian currency (Ruble) as a result of which these products were imported by Bangladesh from Russia affecting SRL's sales and margins adversely. STL reported improvement in revenue to Rs. 179.46 crore in FY2017 (Provisional) from Rs 53.65 crore in FY2016. In FY2016-17(Provisional), the company focused more on trading of billets and ingots and derived around 80 per cent revenue from the segment, 10 per cent from rice and wheat and the balance from trading of chemicals. SMERA believes that steady increase in revenue will remain one of the key rating sensitivity factors.

• **Low profitability margins**

While profitability margins improved in FY2017 (Provisional), it still remains low considering the trading nature of its business. The operating margin improved to 2.33 per cent in FY2017 (Provisional) from 0.78 per cent in FY2016. The net profit margins increased from 0.07 per cent in FY2016 to 0.70 per cent in FY2017 (Provisional).

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company

About the Rated Entity - Key Financials

For FY2015-16, the company reported PAT of Rs.0.04 crore on operating income of Rs.53.65 crore compared with PAT of Rs.0.14 crore on operating income of Rs.159.10 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jul-2016	Packing Credit	Short Term	INR 40	SMERA A4
	Bill Discounting	Short	INR 5	SMERA A4

		Term		
04-Jun-2015	Packing Credit Limit	Short Term	INR 40	SMERA A4+
	Bill Discounting	Short Term	INR 5	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A4
Bills Discounting#	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4
PC/PCFC#	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA A4

There is 100 per cent interchangeability between PC and BD facility.

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ABOUT SMERA

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