

Press Release

Saraf Trexim Limited

September 06, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed a short term rating to '**ACUITE A4**' (**read as ACUITE A Four**) to the Rs.60.00 crore bank facilities of Saraf Trexim Limited.

Incorporated in 2007-Saraf Trexim Limited (STL), is a Kolkata-based company engaged in trading of agro commodities like rice, wheat, sugar among others. The company is a star trading house and exports its products to the countries of Bangladesh, Nepal, China, Vietnam and Philippines. The company also trades in steel products such as billets and ingots. STL is promoted by Mr. Basant Saraf who has extensive experience of over a decade in the trading business.

Strengths

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

The promoter of the company Mr. Basant Saraf has more than a decade of experience in the agro and steel products. The long term track record of operations has helped the company in establishing good relationship with customers in the export markets.

- **Prudent working capital management**

The moderate working capital management is marked by comfortable Gross Current Asset (GCA) days of 60 as on 31st March'2018 as compared to 83 days in the previous year. The inventory days stood at 18 days as on 31st March'2018 as compared to 39 days in the previous year. The company generally receives payment within 5-10 days after sales. The prudent working capital management is further demonstrated by the moderate bank limit utilization of ~ 79 per cent during the six month ended July' 2018.

Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by low net worth, high gearing, and moderate debt protection metrics. Net worth stood at Rs. 8.86 crore as on 31st March'2018 as compared to Rs.7.24 crore in the previous year. The gearing is aggressive and stood at 4.16 times as on 31st March'2018 as compared to 5.44 times in the previous year. The interest coverage stands at 1.90 times in FY2018 as compared to 1.67 times in FY2017. Net cash accrual to total debt (NCA/TD) is at 0.05 times in FY2018 as against 0.03 times in the previous year. TOL/TNW stood at 4.33 times in FY 18 as against 5.69 times in the previous year.

- **Low profitability margin**

Though profitability margins have improved during the current year, it still remains at a very low level due to the low value addition on account of trading nature of business. Operating margin has improved to 2.15 per cent in FY2018 compared to 1.61 per cent in FY2017. The net profit margins have increased from 0.71 per cent in FY2018 to 0.61 per cent in FY2017. Acuite believes whether the company will be able to maintain this level of margins over the medium term will remain the key rating sensitivity factors.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	227.54	178.14	53.65
EBITDA	Rs. Cr.	4.89	2.86	0.37
PAT	Rs. Cr.	1.62	1.10	0.04
EBITDA Margin	(%)	2.15	1.61	0.68
PAT Margin	(%)	0.71	0.61	0.07
ROCE	(%)	11.31	10.38	6.26
Total Debt/Tangible Net Worth	Times	4.16	5.44	4.37
PBDIT/Interest	Times	1.90	1.67	1.11
Total Debt/PBDIT	Times	6.91	9.46	14.77
Gross Current Assets (Days)	Days	60	83	161

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4
Packing Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A4
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4
Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A4

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About Acuité Ratings & Research:

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