

Press Release

Saraf Trexim Limited

July 30, 2021



Rating Withdrawn

| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs.60.00 Cr. |
| Short Term Rating | ACUITE A4+ (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.60.00 Cr. bank facilities of Saraf Trexim Limited (STL).

The rating is being withdrawn at the request received from the company and the NOC received from the banker as per Acuité's policy on withdrawal of ratings.

About the Company

Incorporated in 2007 by Mr. Basant Kumar Saraf, Saraf Trexim Limited (STL) is a Kolkata based entity engaged in trading of various commodities such as Iron ore Pellets, Pig Iron, Sponge Iron, MS Billets, MS Ingots, all varieties of Ferro Alloys, Steel and Chemicals such as Glacial Acetic Acid, Polyaluminium Chloride, Caustic Soda Flakes and Stable Bleaching Powder and also several agro-commodities. STL is a Three-star export house certified by the Government of India. The major export markets consists of Bangladesh, Nepal and South East Asia.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of STL to arrive at the rating.

Key Rating Drivers

Strengths

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

STL is a three star export house promoted by Mr. Basant Saraf who has more than a decade of experience in trading of the agro commodities, chemicals and steel products. The long-term track record of operations and the certification from GOI has helped the company in establishing good relationship with customers in the export markets such as Bangladesh, Nepal and South East Asia. The long-standing experience of the management has helped the company achieve healthy revenue growth over the years. The operating income stood at Rs.476.03 Cr. in FY2021 (Provisional) as against Rs.424.79 Cr. in FY2020. The improvement in operating income is supported by increasing demand from export markets such as Nepal and Bangladesh. STL caters to reputed clienteles such as Coca-Cola and ThyssenKrupp and has an order book ~Rs.70.00 Cr. to be executed in the next 20-30 days.

- **Efficient management working capital**

STL's working capital is efficiently managed marked by Gross Current Assets (GCA) of 48 days in FY2021 (Provisional) as against 39 days in FY2019. The moderate elongation in GCA is on account of elongation in debtors' collection period to 29 days in FY2021 (Provisional) as against 15 days in FY2020. The creditors' payment period has remained less than 2 days during the 2019-21 period. The Inventory holding period increased to 4 days in FY2021 (Provisional) as against Nil in FY2020 primarily on account of lockdown before the end of FY2021.

The fund based working capital limits remained utilised at less than 75 percent for the trailing 6-month period ended May 2021.

Weaknesses

- **Average Financial risk profile**

STL has an average financial risk profile marked by modest networth, high gearing and average debt

protection metrics

The tangible net worth of the company stood at Rs.20.19 Cr. as on March 31, 2021 (Provisional) as against Rs.15.38 Cr. as on March 31, 2020 on account of accretion of profits to reserves, the net worth includes unsecured loans of Rs.1.25 Cr. from promoters, which is subordinated to bank debt.

The Gearing (Debt to Equity) although improving on Y-O-Y basis remains high at 2.91 times as on March 31, 2021 (Provisional) as against 2.99 times as on March 31, 2020, with no long term debt obligations. Similarly, The TOL/TNW (Total Outside Liabilities to Tangible Net Worth) although improving on Y-O-Y basis remains high at 3.05 times as on March 31, 2021 (Provisional) as against 3.13 times as on March 31, 2020.

The coverage indicators have improved on a Y-O-Y basis as reflected in the Interest Coverage Ratio (ICR) of 2.49 times in FY2021 (Provisional) as against 2.00 times in FY2020.. Nonetheless, The NCA/TD (Net Cash Accrual to Total Debt) remains at 0.06 times in FY2021 (Provisional) as against 0.07 times in FY2020.

• **Moderation in thin profitability indicators**

The profitability indicators have declined in FY2021 as against FY2020. The operating margin stood at 1.61 percent in FY2021 (Provisional) as against 1.69 percent in FY2020 and 1.93 percent in FY2019, while the fluctuating PAT margin stood at 0.74 percent in FY2021 (Provisional) as against 0.66 percent in FY2020 and 0.67 percent in FY2019. This is further affected due to the low value addition on account of trading nature of business.

• **Exposure to regulatory risk and cyclical risk**

Being an export house, STL is exposed to the regulatory risks and demand risk of the target countries. Further, as steel contributes a major source of revenue for the company, the volatility in steel prices and competition of major producers such as China can affect the company.

Liquidity position: Adequate

STL has adequate liquidity position marked by comfortable Net Cash Accruals (NCA) of Rs.3.78 Cr. vis-à-vis its NIL maturing debt obligations, giving liquidity buffer. The Cash Accruals are expected to be comfortable in the range of Rs.6.00 – Rs.10.00 crores against NIL repayment obligations during the FY2022-24 period. The Cash and Bank balance stood at Rs.5.52 crore as on March 31, 2021 (Provisional). The current ratio stood at 1.26 times as on March 31, 2021 (Provisional) as against 1.23 times as on March 31, 2020. Further, the working capital is efficiently managed marked by Gross Current Assets (GCA) of 48 days in FY2021 (Provisional).

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY21 (Provisional) | FY20 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 476.03 | 424.79 |
| PAT | Rs. Cr. | 3.51 | 2.79 |
| PAT Margin | (%) | 0.74 | 0.66 |
| Total Debt/Tangible Net Worth | Times | 2.91 | 2.99 |
| PBDIT/Interest | Times | 2.49 | 2.00 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|------------------------|
| 29-Jun-2021 | Packing Credit | Short Term | 25.00 | ACUITE A4+ (Upgraded) |
| | Packing Credit | Short Term | 21.00 | ACUITE A4+ (Upgraded) |
| | Bills Discounting | Short Term | 4.50 | ACUITE A4+ (Upgraded) |
| | Proposed Packing Credit | Short Term | 9.50 | ACUITE A4+ (Upgraded) |
| 28-Jan-2021 | Packing Credit | Short Term | 25.00 | ACUITE A4 (Indicative) |
| | Packing Credit | Short Term | 21.00 | ACUITE A4 (Indicative) |
| | Bills Discounting | Short Term | 4.50 | ACUITE A4 (Indicative) |
| | Proposed Packing Credit | Short Term | 9.50 | ACUITE A4 (Indicative) |
| 15-Nov-2019 | Packing Credit | Short Term | 25.00 | ACUITE A4 (Indicative) |
| | Packing Credit | Short Term | 21.00 | ACUITE A4 (Indicative) |
| | Bills Discounting | Short Term | 4.50 | ACUITE A4 (Indicative) |
| | Proposed Packing Credit | Short Term | 9.50 | ACUITE A4 (Indicative) |
| 06-Sep-2018 | Packing Credit | Short Term | 25.00 | ACUITE A4 (Reaffirmed) |
| | Packing Credit | Short Term | 21.00 | ACUITE A4 (Reaffirmed) |
| | Bills Discounting | Short Term | 4.50 | ACUITE A4 (Reaffirmed) |
| | Proposed Packing Credit | Short Term | 9.50 | ACUITE A4 (Reaffirmed) |

***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+ (Withdrawn) |
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 21.00 | ACUITE A4+ (Withdrawn) |
| Bills Discounting | Not Applicable | Not Applicable | Not Applicable | 4.50 | ACUITE A4+ (Withdrawn) |
| Proposed Packing Credit | Not Applicable | Not Applicable | Not Applicable | 9.50 | ACUITE A4+ (Withdrawn) |

Contacts

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About Acuité Ratings & Research:

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