

Press Release

Shri Saraswati Trading Company

June 06, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 11.50 crore bank facilities of Shri Saraswati Trading Company. The outlook is '**Stable**'.

Shri Saraswati Trading Company (SSTC) was established as a proprietorship firm in 2012 by Ms. Seema Rani. The firm is engaged in the trading of basmati and non-basmati rice, paddy, rice husk, rice bran. The firm purchases paddy and rice (basmati and non-basmati both) from suppliers in Punjab and sells the same to clients across Punjab, Haryana, Uttar Pradesh and Rajasthan.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor, Ms. Seema Rani has experience of more than five years in the rice trading business. The extensive experience has helped develop long term relations with customers.

- **Prudent debt protection metrics**

The rating draws comfort from the prudent interest coverage of 1.66 times as against 1.29 times in FY2015. The increase in interest coverage is primarily attributed to improvement in operating profitability.

- **Proximity to rice growing areas**

SSTC is located at Mansa, Punjab which offers proximity to raw material - paddy, given that the area has ample production of rice.

Weaknesses

- **Weak financial risk profile**

The firm has weak financial risk profile marked by high gearing (debt-to-equity) of 4.74 times as on 31 March, 2016 against 2.54 times in the previous year. The net worth is low and stood at Rs.2.41 crore as on 31 March, 2016 against Rs.0.59 cr in the previous year. The total outstanding liabilities (TOL)/Total network (TNW) stood at 5.41 times in FY2015-16 against 2.56 times in FY2014-15.

- **Moderate scale of operations**

The scale of operations is moderate with revenue of around Rs. 10.10 crore in FY2015-16 compared to Rs. 8.84 cr in the previous year. The firm reported revenue of around ~ Rs.15.89 crore till December, 2016.

- **Working capital intensive business**

The operations are working capital intensive marked by gross current asset (GCA) days of 559 in FY2015-16 as against 86 in the previous year. The significant increase in GCA days in FY2015-16 has been mainly due to increase in inventory to 573 days in FY2016 from 88 days in FY2015.

• Agro climatic risks

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

Not Applicable

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' in case of significant improvement in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.10.10 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.8.84 crore in FY2014-15. The net worth stood at Rs.2.41 crore (Including quasi equity of Rs.0.60 crore) as on 31 March, 2016 against Rs.0.59 crore in the previous year.

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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B / Stable

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