

Press Release

Saraswati Trading Company

17 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 12.00 crore bank facilities of Saraswati Trading Company. The outlook is '**Stable**'.

Established in 1992, Saraswati Trading Company (STC) is a partnership firm engaged in milling, exporting and supplying varied range of Basmati and Non-Basmati rice. The manufacturing facility is located in Karnal District -Haryana. The firm is promoted by Mr. Vishal Khanna, who looks after the day to day operations.

Key Rating Drivers

Strengths

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

STC has been established in the year 1992 as a partnership firm and thus has a long track record of operations. The promoters have established strong relationships with the stakeholders viz, the mandis, the brokers and distributors. Mr. Rajan Khanna and Mr. Vishal Khanna look after the day to day operations of the firm.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs. 3.09 crore as on 31 March, 2017 as against Rs.2.73 crore as on 31 March, 2016. The gearing stood moderate at 1.50 times as on 31 March, 2017 as against 1.94 times as on 31 March, 2016. The total debt of Rs.4.66cr outstanding as on 31 March, 2017 comprises Rs.4.24 crore as short term borrowings from the bank and long term debt of Rs. 0.41 crore.. The Interest Coverage Ratio stood at 2.50 times in FY2017 as against 1.80 times in FY2016. The net cash accruals stood at 0.46 crore in FY2017 and NCA/TD at 0.10 times in FY2017.

Weaknesses

- **Small scale of operation with low profitability**

The scale of operations is small despite the firm being in business for more than two decades. The revenue of Rs.22.41 crore in FY2017 remains at modest scale. For FY2017, the firm reported net profit of Rs.0.04 crore on operating income of Rs.22.41 crore. The net worth stood at Rs.3.09 crore as on 31 March, 2016 and Rs.2.73 crore a year earlier. The operating profit stands at 3.32% with net margins of 0.17% in FY17. The net margins have been lower historically owing to the high depreciation expenses.

- **Agro climatic risk**

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

- **Competitive and fragmented nature of rice milling business**

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry. STC is basically into the processing, distributing and exporting of basmati and non-basmati rice and thus faces competition from players in

organized segment that are also into the similar business.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

STC will maintain a stable business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm revenue increase significantly backed by improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm incurred significant losses and deterioration in its financial risk profile or agro climatic risks.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.41	19.10	13.62
EBITDA	Rs. Cr.	0.74	0.91	0.45
PAT	Rs. Cr.	0.04	0.03	0.03
EBITDA Margin	(%)	3.32	4.77	3.28
PAT Margin	(%)	0.17	0.17	0.20
ROCE	(%)	4.32	7.28	6.88
Total Debt/Tangible Net Worth	Times	1.50	1.94	2.03
PBDIT/Interest	Times	2.50	1.80	2.05
Total Debt/PBDIT	Times	6.13	5.60	10.69
Gross Current Assets (Days)	Days	107	127	163

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

CARE- March 16, 2017: "CARE has been seeking information from Saraswati Trading Co. to monitor the rating(s) vide e-mail communications/ letters dated March 8, 2017, and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Saraswati Trading Co. bank facilities will now be denoted as CARE B+/CARE A4; ISSUER NOT COOPERATING" India Ratings- June 09, 2017: "India Ratings and Research (Ind-Ra) has migrated Saraswati Trading Company's (STC) Long-Term Issuer Rating to the non-cooperating category. The issuer did not participate in the rating exercise, despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using these ratings. The rating will now appear as 'IND B(ISSUER NOT COOPERATING)' on the agency's website."

Any other information

Not Applicable

Applicable Criteria

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

SMERA Ratings Limited

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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	7.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.74	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.26	SMERA BB- / Stable

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ABOUT SMERA

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