

Press Release

Saraf Corporation India Private Limited

D-U-N-S® Number: 65-078-7299

January 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.90 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 8.90 crore bank facilities of SARAF CORPORATION INDIA PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

SCPL was established in 2006 by Mr. Deepak Saraf. SCPL undertakes contracts for catering and epoxy painting. The company caters to ONGC ports located at Mumbai and Andhra Pradesh. Moreover, SCPL is engaged in trading of garment.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of SCPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

Mr. Deepak Saraf has extensive experience of more than two decades of handling various businesses. Acuite believes that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

• Moderate financial risk profile

The financial risk profile is moderate marked by average net worth and moderate debt protection measures and gearing. The net worth of the SCPL stood at Rs.11.19 crore as on 31 March, 2018 as against Rs.2.57 crore as on 31 March, 2017. The promoter has infused equity into business. Thereby, gearing improved to 0.47 times in FY2018 from 4.84 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.02 times as on 31 March, 2018 as against 6.44 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood moderate at 2.66 times in FY2018 and 1.63 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.26 times as on 31 March, 2018 as against 0.05 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) remained average at 1.42 times in FY2018 as compared to 1.31 times in FY2017.

• Growing revenues

The revenue has been growing consistently for the period under study i.e. FY2016 to FY2018. The company registered a turnover of Rs.42.03 crore in FY2018, an improvement from Rs.32.59 crore in FY2017 and Rs.26.50 crore in FY2016. The increase in revenues is backed by adding new business profiles into existing portfolio that is, trading of garments. Further, PAT margins stood at 2.11 percent in FY2018 as compared to 0.95 percent in FY2017.

Weaknesses

• Working capital intensive operations

SCPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 161 days in FY2018 as against 158 days in FY2017. This is majorly due to the collection period of 77 days in FY2018; whereas, the inventory holding period stood at 44 days for FY2018. SCPL enjoys credit period of 56 days from its suppliers which moderates the working capital requirements. Acuite believes that SCPL's working capital intensive operations will be mitigated by the availability of adequate liquidity over the medium term.

• Competitive industry

The company operates in a highly competitive industry of catering and trading of garments with presence of large number of players in the unorganised sector limiting the bargaining power with customers.

Outlook: Stable

Acuite believes that the outlook of the SCPL will remain 'Stable' over the medium term on account of experienced management and consistent growth in revenue. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital requirements leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.03	32.59	26.50
EBITDA	Rs. Cr.	2.77	2.02	1.92
PAT	Rs. Cr.	0.89	0.31	0.21
EBITDA Margin	(%)	6.59	6.20	7.24
PAT Margin	(%)	2.11	0.95	0.79
ROCE	(%)	14.94	11.55	22.42
Total Debt/Tangible Net Worth	Times	0.47	4.84	5.83
PBDIT/Interest	Times	2.66	1.63	1.38
Total Debt/PBDIT	Times	1.83	5.85	6.64
Gross Current Assets (Days)	Days	161	158	204

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

CRISIL, vide its press release dated December 19, 2018 had denoted the rating of SARAF CORPORATION INDIA PRIVATE LIMITED as 'CRISIL B+/Stable/CRISIL A4 (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.65	ACUITE A4+

Contacts

Analytical	Rating Desk
Avadhoot Mane Senior Analyst - Rating Operations Tel: 022 49294022 avadhoot.mane@acuite ratings.in Simranjeet Kaur Analyst - Rating Operations Tel: 02249294023 Simranjeet.Kaur@acuite ratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.