

## Press Release

Saraf Corporation India Private Limited

D-U-N-S® Number: 65-078-7299



January 14, 2019

### Rating Assigned

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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

Acuité 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. Acuité 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. Acuité 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

Acuité 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+

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