Press Release
SARAF CORPORATION INDIA PRIVATE LIMITED
June 20, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.50	ACUITE BB | Stable | Reaffirmed	-
Bank Loan Ratings	3.40	-	ACUITE A4+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	8.90	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE BB' (read as ACUITE double B)** and its short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.8.90 crore bank facilities of Saraf Corporation India Private Limited (SCIPL). The outlook is **'Stable'**.

Rationale for Reaffirmation

The rating reaffirmation is on account of stable operating performance and financial performance of SCIPL, marked by improved operating income, and healthy financial risk profile. The revenue of the firm is estimated to be at Rs.62.51 crore for FY2023E against Rs.49.28 crore in FY2022 and Rs.49.85 crore in FY2021.The financial risk profile continues to remain healthy marked by healthy net-worth, low gearing levels and moderate debt protection metrices. However, thin profitability margins and exposure to customer concentration risk continues to constrain the rating.

The company is engaged in undertaking contracts for catering and housekeeping services and maintenance painting for offshore installations. During the year FY2023, it has procured its own offshore freight containers for supplying of materials to its offshore sites. The Company plans to augment its business segments in the medium into areas such as renting of offshore freight containers to other players in the market, skill trainings, supply, and distribution of groceries for national and international markets and growing the maintenance painting segment.

Going forward, the company's ability to scale up its operations as planned while improving its profitability margins and maintaining its capital structure will remain a key rating monitorable.

About the Company

Mumbai-based, Saraf Corporation India Private Limited (SCPL) was incorporated in 2006 by Mr. Deepak Saraf. The company is engaged in undertaking contracts for catering and housekeeping services and maintenance painting for offshore installations.

Analytical Approach

For arriving at this rating, Acuité has taken a standalone view of the business and financial risk profile of Saraf Corporation India Private Limited.

Key Rating Drivers

Strengths

Experienced Management

Mr. Deepak Saraf, founder-promoter of SCPL, has an extensive industry experience of more

than three decades. Prior to incorporating SCPL, Mr. Saraf was engaged in providing corporate catering services. Mr. Saraf is supported by his son Mr. Daksh Saraf and a team of experienced professionals to run the day-to-day operations of the company. During the year FY2023, company is estimated to generate an operating income of Rs.62.51 crore as against Rs.49.28 crore it generated in FY2022. However, the operating margins continue to remain in the range of 3.5-4 percent during this period.
Acuité believes that the experience of the management will continue to support the business risk profile over the medium term and help to augment the growth in revenues and margins.

Healthy Financial Risk Profile

SCL's financial risk profile is healthy marked by healthy net worth, gearing and moderate debt protection metrics. The tangible net worth stood at 15.84 crore in FY2023E as against 14.91 crore in FY2022 and Rs.14.19 crore in FY2021. Total Debt of the company stood at 8.36 crore in FY2023E as against 9.42 crore in FY2022 and Rs.3.68 crore in FY2021. The debt of Rs.8.36 crore consists of USL of Rs.3.33 crore and bank borrowings of Rs.5.03 crore. The gearing of the company stood at 0.53 times in FY2023E as against 0.63 times in FY2022 and 0.26 times in FY2021. The TOL/TNW stood at 0.1.10 times in FY2023E as against 0.98 times in FY2022 and 0.96 times in FY2021. The Interest Coverage ratio of the company stood at 2.78 times in FY2023E as against 3.17 times in FY2022 and 6.40 times in FY2021 owing to increase in interest cost. DSCR ratio stood at 2.79 times in FY2023E against 1.47 times in FY2022 and 2.56 times in FY2021. In FY2023E, capex undertaken was of approximately Rs.1.5 crore. Approximately 40 dry and reefer containers were procured, warehouse facility was enhanced. The capex has been funded through internal accruals.
Acuite believes that the financial risk profile of the company is expected to remain healthy in absence of any major debt funded capex in near to medium term.

Weaknesses

Moderate Working Capital Operations

The company's working capital operations are moderate marked by GCA days of 173 days in FY2023E as against 192 days in FY2022 and 163 days in FY2021. The inventory days stood at 30 days in FY2023E against 28 days in FY2022 and 12 days in FY2021. The debtor days stood at 116 days in FY2023E against 150 days in FY2022 and 140 days in FY2021. Company also draws comfort from its creditors with average credit period of 45-60 days. The creditor days in FY2023E stood at 79 days against 38 days in FY2022 and 95 days in FY2021.

Highly competitive industry and customer concentration risk

The company operates in a highly competitive industry of catering and hospitality services to offshore installations such as vessels, rigs, and float ships. It also faces risks of being in a tender based nature of business. Furthermore, company faces high customer concentration as one customer contributed around ~89 percent of the revenue in FY2023E. However, the risk gets mitigated on account of long-standing relationship with the said reputed customer (ONGC).

Rating Sensitivities

- Steady improvement in revenues and operating margins.
- Significant elongations in working capital operations leading to deterioration of the financial risk and liquidity profile.

Material covenants

None

Liquidity Position

Adequate

SCL has adequate liquidity position marked by net cash accruals of 1.59 Cr against no maturing debt obligations. The company has maintained an unencumbered cash balance of Rs.0.39 Cr in FY2023E as against Rs.0.22 Cr in FY2022.The average bank limit utilisation stood at 86.13 percent for last seven months ending April 2023. Going ahead, cash accruals are expected to be in the range of Rs.1.99 crore to 2.45 crore in FY2024 and FY2025, against no

maturing debt obligation.
Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments over the medium term.

Outlook:Stable

Acuité believes that the outlook of the SCPL will remain 'Stable' over the medium term on account of experienced management and comfortable financial risk profile. 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 significant stretch in its working capital requirements leading to deterioration of its financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	49.28	49.85
PAT	Rs. Cr.	0.73	1.82
PAT Margin	(%)	1.47	3.66
Total Debt/Tangible Net Worth	Times	0.63	0.26
PBDIT/Interest	Times	3.17	6.40

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

Crisil vide its press release dated 16.08.2022 had rated the company to CRISIL B+/Stable/CRISIL A4; Issuer Not Cooperating.

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisa"on of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow pa&erns, number of counterpar"es and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Ra"ng Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2022	Letter of Credit	Short Term	1.75	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.65	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE BB | Stable (Reaffirmed)
24 Feb 2021	Letter of Credit	Long Term	1.75	ACUITE A4+ (Upgraded from ACUITE B+)
	Cash Credit	Long Term	5.50	ACUITE BB | Stable (Upgraded from ACUITE B+)
	Bank Guarantee	Long Term	1.65	ACUITE A4+ (Upgraded from ACUITE B+)
13 Mar 2020	Cash Credit	Long Term	5.50	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.65	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	1.75	ACUITE A4 (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.65	ACUITE A4+ | Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BB | Stable | Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.75	ACUITE A4+ | Reaffirmed

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About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.