

Press Release

Shri Sai Marketing And Trading Co

August 29, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 20.00 crore bank facilities of Shri Sai Marketing And Trading Co (SSTC). The outlook is '**Stable**'.

Shri Sai Marketing & Trading Company (SSTC), a proprietorship concern based at Jalgaon, was established in 2005. The firm is managed by Mr. Sunil Devkinandan. SSTC is engaged in trading of food ingredients used in mid-day meal scheme for Government school (majority business) and supplying food ingredients to government hospitals. The firm also provides parcel and courier services for Rajasthan State Road Transport Corporation (RSRTC).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Shri Sai Marketing & Trading Company (SSTC) to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SSTC has established presence of over decade in trading industry and has established relationship with customers and suppliers. The proprietor, Mr. Sunil Devkinandan Zawar, possesses more than fifteen years of experience in the agro-trading industry, through SSTC and other group firms. The firm is engaged in supplying of rice, grains and other food ingredients to schools under the mid-day meal scheme and government hospitals. The concern is a certified Government contractor for Maharashtra region. The firm is well supported by second line of management. Acuité believes that SSMTC will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Moderate financial risk profile**

The financial risk profile of SSMTC is moderate marked by tangible net worth of Rs. 21.84 crore as on 31 March, 2019 (Provisional) as against Rs.6.32 crore as 31 March, 2018. The total debt of Rs. 24.72 crore outstanding as on 31 March, 2019 (Provisional) comprises of Rs. 9.35 crore as unsecured loans from the promoters and Rs. 15.37 crore as working capital borrowings from the bank. The gearing has improved to 1.13 times as on 31 March, 2019 (Provisional) as against 4.17 times as on 31 March, 2018. The Interest coverage ratio as well as DSCR has improved to 2.47 times in FY2019 (Provisional) as against 1.57 times in FY2018, respectively. The net cash accruals improved significantly to Rs. 2.58 crore in FY2019 (Provisional) as against Rs. 1.42 crore in FY2018. The NCA/TD ratio stood at 0.10 times in FY2019 (Provisional) as against 0.05 times in FY2018. Acuité believes that SSTC will be able to sustain its financial risk profile backed by healthy accruals over the near to medium term.

Weaknesses

- **Working capital intensive operations**

The operations of SSMTC are highly working capital intensive marked by Gross Current Asset days of 392 in FY2019 (Provisional) as against 360 days in FY2018. This is majorly on account of large receivables (majority from the government) of 252 days in FY2019 (Provisional) as against 360 days in

FY2018. The concern gets extended credit period of ~ 120 days from its suppliers which moderates the working capital requirement and the bank limit utilisation stood at 73.38 per cent for the last six months ended July 2019. Acuite believes that operations of SSTC are expected to remain working capital intensive on account of the business being tender-based and majority of the receivables being government entities wherein the payment terms are 90 to 120 days. Acuite believes that the ability of the firm to maintain sufficient funds for the working capital requirement will be key rating sensitivity

• Risk of capital withdrawal

SSMTC is exposed to capital withdrawal risk on account of the proprietorship constitution of the concern. Acuite believes the ability of the concern to maintain minimum capital requirement in the business in order to maintain its credit profile will be key rating sensitivity.

Liquidity Position:

The liquidity profile of the firm remains adequate marked by net cash accruals improved significantly to Rs. 2.58 crore in FY2019 (Provisional) as against Rs.1.42 crore in FY2018 against no long term repayment obligation. The net cash accruals are likely to remain within Rs.1.50 to 2.50 Cr. for FY2020-2022. The current ratio stood at 1.54 times for FY2019 (Provisional). The NCA/TD ratio stood at 0.10 times in FY2019 (Provisional) as against 0.05 times in FY2018. The operations of SSMTC are highly working capital intensive marked by Gross Current Asset days of 392 in FY2019 (Provisional) as against 360 days in FY2018. The working capital requirement and the bank limit utilization stood at 73.38 per cent for the last six months ended July 2019.

Outlook: Stable

Acuite believes that the outlook on SSMTC will remain 'Stable' over the medium term owing to its experienced promoters. The outlook maybe revised to 'Positive' in case the firm registers substantial growth in revenues or significant improvement in profit margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in revenues and profit margins, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	40.19	35.73	41.13
EBITDA	Rs. Cr.	3.37	3.03	4.12
PAT	Rs. Cr.	2.49	1.34	2.50
EBITDA Margin	(%)	8.39	8.48	10.01
PAT Margin	(%)	6.19	3.74	6.08
ROCE	(%)	10.70	11.80	16.86
Total Debt/Tangible Net Worth	Times	1.13	4.17	1.74
PBDIT/Interest	Times	2.47	1.61	2.10
Total Debt/PBDIT	Times	5.70	6.99	3.83
Gross Current Assets (Days)	Days	392	360	263

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	15.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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