



**Press Release**  
**Krishna Traders**  
**November 05, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	28.00	-	ACUITE A4+   Downgraded
Total Outstanding Quantum (Rs. Cr)	58.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) from ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and its short-term rating to ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) from ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.58.00 Cr. bank facilities of Krishna Traders (KT). The outlook is revised from ‘**Negative**’ to ‘**Stable**’.

**Rationale for rating downgrade**

The downgrade is majorly on account of the substantial deterioration in the scale of operations of the firm in last three years. The revenue of the firm declined to Rs.271.27 Cr. in FY2024 as compared to Rs. 355.29 Cr. in FY2023 and Rs. 387.12 Cr. in FY2022 respectively. The decline is primarily due to geopolitical and economic issues in Bangladesh along with the Government of India’s prohibition on exporting agricultural commodities like rice, jute, and wheat and imposition of duty charges on these goods. Furthermore, the firm’s operating margin remained thin at 1.60 percent in FY2024 as opposed to 1.68 percent in FY2023 and 1.48 percent in FY2022. Additionally, the firm’s Profit After Tax (PAT) margin decreased to 0.53 percent in FY2024 from 0.66 percent in FY2023 and 0.61 percent in FY2022. Acuite believes that any further deterioration in the business risk profile of the firm will remain a key rating sensitivity going ahead.

The rating also takes into account the firm’s well-established operations for more than six decades under in the trading industry supported by well experienced management. The rating also draws comfort from firm’s efficient working capital management towards its operations. Although there has been an increase in GCA days, the firm maintains low inventory and debtor levels, mitigating any perceived risk. The rating also factors in the average financial risk profile of the firm with modest networth, moderate gearing levels and moderate debt protection matrices with nil matured long term debt obligations. Additionally, the liquidity position of the firm remains adequate with declining yet sufficient cash accruals against nil mature debt obligations.

**About the Company**

Krishna Traders, established in 1953 by Mr. Late Netai Mohan Saha as a proprietorship concern, underwent a transformation into a partnership firm in 1996. Based in Kolkata, the firm specializes in trading various commodities such as food grains, paper products, raw cotton, onions, chili, chemicals, and spices. Achieving export house status in 1979, the firm attained a 3-star export house rating since 1986, conducting exports to Bangladesh, China, Sri Lanka, Myanmar, and Nigeria. The day-to-day operations are currently overseen by the

existing partners: Mr. Debashish Sah, Mr. Shekhar Saha, and Mr. Tapan Mohan Saha.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of KT to arrive at this rating.

## Key Rating Drivers

### Strengths

#### Established track record of operation and experienced management

With a well-established history of operation and a seasoned management team, KT has a notable trading legacy dating back over six decades. Throughout this extensive timeframe, the firm has forged a strong market presence in Eastern India, handling a diverse portfolio of nearly 50 products. The primary revenue sources include food grains, paper products, raw cotton, onions, chili, chemicals, and spices. This long-lasting enterprise has enabled the firm to cultivate enduring partnerships with clients and suppliers, encompassing traders, distributors, and government entities. The projection indicates a sustained favourable business risk profile, attributed to the adept management, well-established customer connections, and robust nationwide procurement channels.

#### Efficient Working Capital Management

The working capital management of the firm is efficient marked by GCA days of 57 days in FY2024 as compared to 33 days in FY2023. Moreover, the collection period of the firm also stood comfortable at 31 days in FY2024 as compared to 11 days in FY2023. Further, the inventory days of the firm stood high at 15 days in FY2024 as compared to 16 days in FY2023. Acuité believes that the working capital operations of the firm will remain at the similar levels over the medium term.

### Weaknesses

#### Deterioration in business risk profile

During the past three years, the firm's operational performance has witnessed a consistent decline in earnings. In FY2024, the revenue stood at Rs. 217.27 Cr, contrasting with Rs. 355.29 Cr. in FY2023 and Rs. 387.12 Cr. in FY2022. The decline is primarily due to geopolitical and economic issues in its biggest market Bangladesh along with the Government of India's prohibition on exporting agricultural commodities like rice, jute, and wheat, along with the imposition of duty charges on these goods.

Furthermore, with the revenue decline, the firm's operating margin remained thin at 1.60 percent in FY2024 as opposed to 1.68 percent in FY2023. Additionally, the firm's Profit After Tax (PAT) margin declined to 0.53 percent in FY2024 from 0.66 percent in FY2023.

Going forward, Acuité believes the firm's revenue remains susceptible to the Indian government's decisions concerning the export of agricultural commodities, representing a pivotal rating sensitivity over the medium term.

#### Average financial risk profile

The financial risk profile of the firm is average marked by modest net worth, moderate gearing, and comfortable debt protection metrics. The net worth of the firm stood at Rs.25.25 Cr. as on 31 March 2024 as against Rs.25.46 Cr. as on 31 March 2023. The gearing of the firm stood moderate at 1.26 times as on March 31, 2024 as against 0.94 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.86 times as on March 31, 2024 as against 1.40 times as on March, 31 2024. The debt protection matrices of the firm remained comfortable with Interest coverage ratio (ICR) and Debt Services Coverage Ratio (DSCR) of 1.57 times and 1.38 times respectively as on March 31, 2024. The net cash accruals to total debt (NCA/TD) stood low at 0.05 times in FY2024 as against 0.10 times in FY2023.

Going forward, Acuité believes the financial risk profile of the firm will remain average over the near term with no major debt funded capex plans.

### Rating Sensitivities

- Movement of operation and profitability margin.
- Working capital cycle

### Liquidity Position

#### Adequate

The firm has adequate liquidity marked by comfortable net cash accruals of Rs.1.50 Cr. in FY2024 as against nil long term debt obligations over the same period. The current ratio of the firm stood comfortable at 1.18 times in FY2024. Further, the average bank limit of the firm has been moderate at ~56.34 percent utilized during the last six months ended in September 2024. Moreover, the working capital management of the firm is efficient marked by GCA days of 57 days in FY2024 as compared to 33 days in FY2023. Acuité believes that the liquidity of the firm is likely to be stretched over the medium term on account of declining cash accruals against nil long debt repayments over the medium term.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	271.27	355.29
PAT	Rs. Cr.	1.45	2.33
PAT Margin	(%)	0.53	0.66
Total Debt/Tangible Net Worth	Times	1.26	0.94
PBDIT/Interest	Times	1.57	2.17

### 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-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties 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 Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Aug 2023	PC/PCFC	Short Term	15.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	12.00	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	12.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BBB-   Negative (Reaffirmed)
26 May 2022	Secured Overdraft	Long Term	1.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Short Term	15.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	12.00	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	12.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	16.00	ACUITE A3 (Reaffirmed)
02 Mar 2021	Cash Credit	Long Term	1.00	ACUITE BBB-   Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	7.50	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	12.00	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	7.50	ACUITE A3 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )

## Contacts

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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.

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