

Press Release

Shree Rai Traders

D-U-N-S® Number: 67-548-1294

January 23, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 12.00 crore bank facilities of SHREE RAI TRADERS (SRT). The outlook is '**Stable**'.

The Madhya Pradesh based, SRT is a proprietorship firm established in 2006 by Mr. Ajay Rai. The firm is engaged in trading of food grains such as paddy, wheat and moong, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

SRT is promoted by Mr. Ajay Rai (Proprietor) who possess over two decades of experience in the trading industry. Hence, vast experience of management has helped the firm to develop healthy relationship with its customers and suppliers. Acuité believes that SRT will sustain its existing business profile on the back of its experienced management.

- **Efficiently managed working capital operations**

The firm has efficiently managed its working capital marked by Gross Current Assets (GCA) of 60 days for FY2018 (Provisional) as against 51 days for FY2017. The debtors stood at 32 days for FY2018 (Provisional) as against 16 days for FY2017. The inventory period stood at 27 days for FY2018 (Provisional) as against 35 days for FY2017. Acuité believes that the firm's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

- **Moderate scale of operations**

SRT has moderate scale of operations marked by operating income of Rs.59.68 crore in FY2018 (Provisional) as against Rs. 59.85 crore in FY2017. However, the firm has reported operating revenue of Rs. 48.00 crore for the period April 2018-October 2018. Acuité believes that the scale of operations will increase over the medium term.

- **Thin profitability**

SRT's operating margins stood modest at 1.43 percent in FY2018 (Provisional) as against 1.36 percent in FY2017 on account of its trading nature of business. The PAT margins remain thin at 0.37 percent in FY2018 (Provisional) and 0.31 percent in FY2017.

- **Weak financial risk profile**

The financial risk profile of SRT is weak marked by low net worth of Rs.1.01 crore as on 31 March, 2018 (Provisional) as against net worth of Rs.0.86 crore as on 31 March, 2017. The gearing (debt-equity) stood high at 7.57 times as on 31 March, 2018 (Provisional) as against 7.96 times as on 31 March, 2017. The total debt of Rs.7.65 crore as on 31 March, 2018 (Provisional) mainly comprises Rs.6.59 crore of working capital facility, Rs.0.97 crore of unsecured loans and Rs.0.09 crore of long term debt. Interest

Coverage Ratio (ICR) stood at 1.39 times for FY2018 (Provisional) as against 1.32 times for FY2017. TOL/TNW stood high at 9.13 times as on 31 March, 2018 (Provisional) as against 9.25 times as on 31 March, 2017.

• **Highly fragmented agro-commodity trading industry**

SRT operates in a highly competitive agro-commodity trading industry with several organised as well as unorganised players with low entry barriers.

• **Proprietorship constitution**

The proprietorship constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Outlook: Stable

Acuite believes that SRT will maintain 'Stable' outlook over the medium term on the back of experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	59.68	59.85	35.30
EBITDA	Rs. Cr.	0.85	0.82	0.54
PAT	Rs. Cr.	0.22	0.19	0.12
EBITDA Margin	(%)	1.43	1.36	1.53
PAT Margin	(%)	0.37	0.31	0.34
ROCE	(%)	10.30	11.24	16.31
Total Debt/Tangible Net Worth	Times	7.57	7.96	7.94
PBDIT/Interest	Times	1.39	1.32	1.36
Total Debt/PBDIT	Times	8.88	8.38	10.87
Gross Current Assets (Days)	Days	60	51	69

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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	4.00	ACUITE B / Stable
Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B /Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Priyal Jain Analyst - Rating Operations Tel: 022-49294065 priyal.jain@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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