



Press Release
SHREE RAI TRADERS
March 18, 2025
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	12.00	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE Double B Minus**) from '**ACUITE B-**' (read as **ACUITE B Minus**) on the Rs. 12.00 Cr. bank facilities of Shree Rai Traders (SRT). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE Double B Minus**) on the Rs. 11.00 Cr. bank facilities of Shree Rai Traders (SRT). The outlook is '**Stable**'.

Rationale for Rating

The rating upgrade and transition from 'Issuer non-cooperating' reflects the benefits derived by firm for over two decades of industry expertise under Mr. Ajay Rai, fostering solid relationships with customers and suppliers with a revenue growth from Rs 266.07 crore in FY23 to Rs 306.92 crore in FY24 and a rise in operating margin to 0.95% in FY24. The tangible net worth increased to Rs 5.04 crore, and the gearing ratio improved to 3.32 times, indicating a healthier financial risk profile. The firm demonstrates an efficient working capital cycle with reduced gross current assets, reflecting effective inventory and receivables management with net cash accruals of Rs 0.92 crore against debt obligations of Rs 0.50 crore, and a current ratio of 1.12 times, the firm's liquidity position has improved, supporting ongoing operations and growth potential.

About the Company

Madhya Pradesh based; Shree Rai Traders is a proprietorship firm which was established in the year 2006. The company is engaged in the business of wholesale trading of food grains such as paddy, wheat, moong, among others. Mr. Ajay Rai is the proprietor of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone approach to the business and the financial profile of Shree Rai Traders (SRT) to arrive at the rating.

Key Rating Drivers

Strengths

Benefits derived from experience of promoters

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.

Efficient Working capital management

The firm has efficient working capital cycle as evident from gross current assets (GCA) of 32 days for FY2024 and 37 days for the FY2023. Debtor days stood at 12 days in FY2024, up from 16 days in FY2023. The inventory period stood at 15 days in FY2024 from 17 days in FY2023. Against this, the creditor days increased to 11 days in FY2024 from 07 days in FY2023. Acuité believes that the working capital operations of the firm will remain lean at the similar levels over the near term.

Weaknesses

Average financial risk profile

The firm's financial risk profile is average marked by marginal increase in net worth, high gearing and moderate debt protection metrics. The tangible net worth has improved of the firm stood at Rs. 5.04 Cr. as on March 31, FY2024 as compared to Rs.3.83 Cr. as on March 31, FY2023 due to accretion to reserves. The gearing of the firm stood at 3.32 times in FY2024 as against 5.61 times in FY2023 due to high dependence on working capital borrowings. The unsecured loan of Rs. 1.96 Cr. as on March 2024 is treated as quasi equity since they are subordinated to bank loans. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) has improved marginally to 5.00 times as on FY2024 as against 6.79 times as on FY2023. The debt protection metrics of the firm remain moderate marked by Interest coverage ratio (ICR) of 1.41 times and debt service coverage ratio (DSCR) of 1.31 times for FY2024. The net cash accruals to total debt (NCA/TD) stood at 0.05 times in FY2024.

Going forward, Acuité believes that the financial risk profile will remain average over the near term backed by steady net worth.

Thin profitability

SRT's operating margins stood modest at 0.95 percent in FY2024 as against 0.72 percent in FY2023 on account of its trading nature of business. The PAT margins remain thin at 0.29 percent in FY2024 and 0.31 percent in FY2023.

Highly competitive and fragmented industry affected by agro climatic risks

The agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barriers resulting in intense competition from both the organized as well as unorganized players. Paddy, which is the main raw material required for rice, is a seasonal crop and adequate and timely availability is highly dependent upon monsoon. Thus, inadequate or erratic rainfall may have a bearing on availability as well as pricing of paddy and have a bearing on the pricing of rice as well as the profitability. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.

Rating Sensitivities

- Movement in the scale of operations and margins
- Movement in working capital requirement

Liquidity Position

Adequate

The firm has adequate liquidity marked by low net cash accruals of Rs. 0.92 Cr. in FY2024 as against debt obligation of Rs. 0.50 Cr. over the same period. Due to thin profitability the accruals are expected to be low over medium term. The cash and bank balance stood at Rs. 0.66 Cr. for FY 2024. Further, the current ratio of the firm stood at 1.12 times in FY2024. However, liquidity is supported by efficient working capital cycle of the firm as reflected by Gross Current Assets (GCA) of 32 days for FY2024 as compared to 37 days for the FY2023. The bank limit utilization has been moderate, averaging approximately 79.00 percent over the last six months, ending in January 2025. Acuité believes that the liquidity of the firm is likely to remain at similar levels over the medium term backed by low but steady accruals, low current ratio, moderate reliance on short term borrowings 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.	306.92	266.07
PAT	Rs. Cr.	0.88	0.83
PAT Margin	(%)	0.29	0.31
Total Debt/Tangible Net Worth	Times	3.32	5.61
PBDIT/Interest	Times	1.41	1.43

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jan 2025	Cash Credit	Long Term	4.00	ACUITE B- (Downgraded & Issuer not co-operating* from ACUITE B)
	Warehouse Receipt Financing	Long Term	8.00	ACUITE B- (Downgraded & Issuer not co-operating* from ACUITE B)
26 Oct 2023	Cash Credit	Long Term	4.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
	Warehouse Receipt Financing	Long Term	8.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
28 Jul 2022	Cash Credit	Long Term	4.00	ACUITE B (Reaffirmed & Issuer not co-operating*)
	Warehouse Receipt Financing	Long Term	8.00	ACUITE B (Reaffirmed & Issuer not co-operating*)

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.	Cash Credit	30 Jun 2018	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B-)
Union Bank of India	Not avl. / Not appl.	Cash Credit	30 Jun 2018	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.50	Simple	ACUITE BB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	20 Nov 2021	Not avl. / Not appl.	20 Nov 2026	1.50	Simple	ACUITE BB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Warehouse Receipt Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B-)
Union Bank of India	Not avl. / Not appl.	Warehouse Receipt Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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