

Press Release

Krishna Traders.

February 18, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 58.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 58.00 crore bank facilities of Krishna Traders (KT). The outlook is '**Stable**'.

Established in 1953 as a proprietorship concern by Mr. Late Netai Mohan Saha and later reconstituted in 1996 as a partnership concern, KT is a Kolkata based firm engaged in trading of food grains, paper and paper products, raw cotton, onion, chilli, chemicals, and spices. The firm became an export house in 1979 and since 1986, KT is a 3 star export house with exports to Bangladesh, China, Sri Lanka, Myanmar, and Nigeria. Currently, the operations are managed by the second generation of the Saha family, namely, Mr. Debasish Saha, Mr. Shekhar Saha, and Mr. Tapan Mohan Saha with equal profit sharing ratio.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of KT to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record**

Established in 1953, KT has a long track record of over six decades in the trading business. The long track record has resulted in KT developing an established market position in Eastern India backed by diversified product profile where it trades in nearly 50 items with major sales from food grains, paper and paper products, raw cotton, onion, chilli, chemicals, and spices. The long track record has further enabled the firm to build a long standing relationship with customers and suppliers. The customer base includes traders, distributors and government departments. Currently, the firm has more than 100 clients including domestic and export customers. Going forward, Acuite expects the business risk profile to remain healthy backed by experienced management, established relationship with customers and strong PAN India based procurement channels.

- **Healthy revenue**

The firm registered healthy revenue with turnover of Rs.489.91 crore in FY 2018 as against Rs.300.71 crore in FY 2017, thereby registering y-o-y growth of 63 per cent. The growth in revenue was majority due to higher contribution from rice exports to Bangladesh. During the current year, the firm achieved revenue of Rs.260 crore till 31 December 2018 (Provisional)

- **Efficient working capital management**

The working capital management of the firm remained efficient reflected from the Gross Current Assets (GCA) of 46 days in FY 2018 as against 53 days in FY 2017. The firm sells its products backed by sight LCs thereby having low debtor risk. The debtor days of the firm stood at 29 days in 2018. The firm maintains low inventory at 13 days in FY2018. Also, ~80 per cent of all purchases are backed by confirmed orders, thus, mitigating any potential inventory loss.

Weaknesses

- **Low profitability**

Low profitability metrics with operating and net margins of 1.36 percent and 0.52 percent respectively in FY 2018 as compared to 1.31 percent and 0.38 percent respectively in the previous year. The profitability is on account of trading nature of operations.

- **Moderate financial risk profile**

The net worth stood modest at Rs.22.49 crore as on 31 March, 2018 as compared to Rs.21.67 crore as on 31 March, 2017. Gearing (Debt-Equity) stood moderate at 1.38 times as on 31 March, 2018 as compared to 1.46 times in the previous year. TOL/TNW stood at 3.35 times in FY 2018 as compared to 2.58 times in the previous year. The debt protection metrics is healthy reflected from interest coverage ratio (ICR) of 1.87 times in FY2018 as against 1.52 times in FY2017. TOL/TNW stood at 3.35 times in FY 2018 as compare to 2.58 times in the previous year.

Liquidity

KT has moderate liquidity marked by net cash accruals of Rs 1.00 crore to Rs 2.62 crore during the last three years (FY2016-18), with no major fixed repayment obligation over the same period. The working capital is effectively managed marked by gross current asset (GCA) days of 46 in FY 2018 while its fund based utilization is ~ 85 per cent during the twelve month ended October'18. The company maintains unencumbered cash and bank balances of Rs.5.00 crore as on March 31, 2018. The current ratio of the company stands modest at 1.23 times as on March 31, 2018. Acuite believes that the liquidity of KT is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes that KT will maintain 'Stable' outlook over the medium term from the extensive industry experience of its partners and long track record of operations. The outlook may be revised to 'Positive' if there is a substantial and sustained increase in sales and profitability and improvement in financial risk profile. The outlook may be revised to 'Negative' in case of a decline in sales and profitability or deterioration in working capital management, particularly liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	489.91	300.71	244.98
EBITDA	Rs. Cr.	6.86	3.93	2.81
PAT	Rs. Cr.	2.57	1.15	0.96
EBITDA Margin	(%)	1.40	1.31	1.15
PAT Margin	(%)	0.52	0.38	0.39
ROCE	(%)	16.76	12.45	24.09
Total Debt/Tangible Net Worth	Times	1.38	1.46	0.73
PBDIT/Interest	Times	1.87	1.52	1.44
Total Debt/PBDIT	Times	3.44	5.29	3.49
Gross Current Assets (Days)	Days	46	53	41

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
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A3
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuiterratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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