



Press Release
Krishna Traders.
August 08, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	55.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	58.00	-	-

Rating Rationale

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

Rationale for rating reaffirmation and revision in outlook

The rating 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 network, moderate gearing levels and comfortable debt protection matrices with any matured long term debt obligations. Additionally, the liquidity position of the firm remains adequate with steady cash accruals against mature debt obligations.

However, the revision in outlook 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. 354.63 Cr in FY2023 (Provisional) as compared to Rs. 387.12 Cr in FY2022 and Rs. 416.78 Cr in FY2021 respectively. The decline is primarily due to 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, the firm's operating margin remained thin at 1.49 percent in FY2023 (Provisional) as opposed to 1.48 percent in FY2022. Additionally, the firm's Profit After Tax (PAT) margin increased to 0.70 percent in FY2023 (Provisional) from 0.61 percent in FY2022. Acuite believes that any further deterioration in the business risk profile of the company will remain a key rating sensitivity going ahead.

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.

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 77 days in FY2023(Provisional) as compared to 41 days in FY2022. Moreover, the collection period of the firm also stood comfortable at 11 days in FY2023(Provisional) as compared to 19 days in the FY2022. Further, the inventory days of the firm stood high at 16 days in FY2023(Provisional) as compared to 14 days in the FY2022. 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 the FY 2023 (Provisional), the revenue stood at Rs. 354.63 Cr, contrasting with Rs. 387.12 Cr in FY2022 and Rs. 416.78 Cr in FY2021. The decline is primarily due to 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. As the firm predominantly engages in exporting such commodities to nations like Bangladesh, a further reduction in revenue is expected in the short term.

Furthermore, with the revenue decline, the firm's operating margin remained thin at 1.49 percent in FY2023 (Provisional) as opposed to 1.48 percent in FY2022. Additionally, the firm's Profit After Tax (PAT) margin increased to 0.70 percent in FY2023 (Provisional) from 0.61 percent in FY2022.

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.25.62 Cr. as on 31 March 2023 (Provisional) as against Rs.24.93Cr. as on 31 March 2022. The gearing of the firm stood moderate at 1.72 times as on March 31, 2023 (Provisional). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.17 times as on March 31, 2023(Provisional). The debt protection matrices of the firm remained comfortable with Interest coverage ratio (ICR) of 2.17 times and 1.76 times respectively as on March 31, 2023 (Provisional). The net cash accruals to total debt (NCA/TD) stood low at 0.06 times in FY2023(Provisional).

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

- Scaling up of operation while improving the profitability margin.
- Significant improvement in the EBITDA level, thereby resulting above moderate financial risk Profile

Material covenants

None

Liquidity Position

Adequate

The firm has adequate liquidity marked by comfortable net cash accruals of Rs.2.52 Cr in FY2023 (Provisional) as against nil long term debt obligations over the same period. The current ratio of the firm stood comfortable at 1.37 times in FY2023(Provisional). Further, the average bank limit of the firm has been moderate at ~59.34 percent utilized during the last six months ended in June 2023. Moreover, the working capital management of the firm is efficient marked by GCA days of 77 days in FY2023(Provisional) as compared to 41 days in FY2022. 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: Negative

Acuité has revised the outlook of KT to 'Negative' due to subdued operating performance, which has added pressure on the coverage indicators. The rating may be downgraded in case of further decline in the revenue profile leading to moderations in the profitability levels and deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Stable', in case of improvement in the operating income, thereby resulting in a healthy EBITDA, leading to improvement in the profitability margins, working capital cycle and financial risk profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	354.63	387.12
PAT	Rs. Cr.	2.47	2.38
PAT Margin	(%)	0.70	0.61
Total Debt/Tangible Net Worth	Times	1.72	1.27
PBDIT/Interest	Times	2.17	2.12

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

Crisil vide its press release dated 19th October 2022, had rated the company to CRISIL B/stable/A4; Issuer Not Cooperating.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
26 May 2022	Proposed Bank Facility	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	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)
	Packing Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Negative Reaffirmed Stable to Negative
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Negative Reaffirmed Stable to Negative

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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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