

Mahesh Traders

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	65.00 (Enhanced from 9.20)	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE C; Stable outlook assigned
Short Term Bank Facilities	101.50	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Mahesh Traders (MT) is constrained on account of its thin profitability inherent to trading nature of operations, highly leveraged capital structure along with weak debt coverage indicators, susceptibility of profitability to price fluctuation in traded agro-commodities and presence in a competitive, fragmented, and cyclical agro-commodity trading industry. The ratings further remain constrained on account of its partnership nature of constitution.

The rating however derives strength from MT's experienced promoters, established relationship with customers, growing scale of operations and location advantage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with total operating income (TOI) exceeding Rs. 1800 crore along with improvement in profit before interest, lease, depreciation and tax (PBILDT) margin to 2.5% on sustained basis.
- Improvement in capital structure with overall gearing below 1.50x along with improvement in debt coverage indicators.

Negative factors

- Lower than envisaged scale of operations or decline in PBILDT margin below 1%.
- Deterioration in capital structure with overall gearing above 5.00x on sustained basis resulting in further weakening of debt coverage indicators and impacting the liquidity of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the firm will continue to benefit from extensive experience of promoters in the agro-commodities industry.

Detailed description of key rating drivers:

Key weaknesses

Thin profitability margins

PBILDT margin of MT remained thin, and range bound between 1.24% to 1.66% owing to trading nature of operations. In line with this, PAT margin also remained low in the range of 1.00% to 1.43%. In spite of exponential increase in TOI of the firm during last three years, PBDILT margin has moderated to 1.24% during FY24 as against 1.66% during FY23. Major reason for decline in margins is on account of fluctuation in prices of pulses.

Highly leveraged capital structure and weak debt coverage indicators

As on March 31, 2024, the capital structure of the firm stood highly leveraged marked by overall gearing of 4.50x (0.68x as on March 31, 2023). The deteriorating in overall gearing was on account of increased reliance on working capital borrowings for increased scale of operations. The net worth base of the firm stood low at Rs.28.36 crore. The major portion of debt is in the form of working capital borrowings (CC & Warehouse Financing Limits).

The debt coverage indicators remained moderate marked by PBILDT Interest coverage of 3.89x and Total Debt/ GCA of 8.20x as on March 31, 2024.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Presence in a highly fragmented and competitive industry with high susceptibility of profitability to prices of traded agro-commodities

MT operates in the competitive and highly fragmented agro commodity industry, characterized by presence of many small and medium scale players. Further, the overall value addition in the trading industry is very low (grading, sorting, and packing activities), which translates into thin profitability. Further, the prices of agro commodities are volatile in nature and are dependent upon various factors including the vagaries of nature, minimum support prices (MSP) fixed by the various state and central government, import duties etc. With already thin margin trading business, any major fluctuations in prices of the commodity shall have major impact on the profitability of the firm. However, demand outlook remains stable owing to growth in population.

Partnership nature of constitution

The constitution as a partnership firm restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/retirement/insolvency/personal contingency of any of the partners. During FY24, the partners made a net capital withdrawal of Rs.6.52 crore, adjusting for income tax paid.

Key strengths**Experienced promoters**

The firm is promoted by Mr. Mahesh Dudani, who has vast experience of more than three decades in the agro commodity industry. He is also involved in few other entities such as RMM Agro Exports Private Limited (engaged in rice milling and processing), Pragati Foods (engaged in rice milling), Sai Industries – Pipariya (processing and trading of pulses). He majorly looks after the sales & Finance department in the firm. Mr. Manoharlal Dudani joined the firm as a partner in 2009. Both the partners enjoys healthy reputation in local market.

Growing scale of operations

Its TOI has remained volatile; however, it has registered year on year growth consistently since past 3 years and stood at Rs.1545.71 crore in FY24 exhibiting a compounded annual growth rate (CAGR) of ~112% over the past 3 years. The exponential rise in TOI is due to a better opportunity in the Moong dal segment during FY23-FY24, supported by enhanced working capital limits. The improvement in TOI is backed both by increase in sales volume and realizations. However, during H1FY25, firm has booked TOI of Rs. 294 crore as against Rs. 756 crore during H1FY24, on account of limited trading opportunity with price stabilisation of pulses. The firm projects to achieve TOI of Rs. 800 crore during FY25, with Jan-Apr being main harvesting season for pulses in MP.

Established relationship with customers

The firm majorly sells to wholesalers and traders located in Madhya Pradesh, Rajasthan, Gujarat and Uttar Pradesh and has developed healthy relations with its customers over the long track record of operations. The firm has added various new customers over the last two years, which is reflected through the growth in TOI as well as lower customer concentration with top 5 customers contributing to less than 6% of total sales for FY24.

Location advantage

MT is located in the state of Madhya Pradesh, which is the largest producer of Soybean, Gram, Urad, Tur and Masoor and 2nd in the production of Moong. The location also provides proximity to sources of raw material access and smooth supply of raw materials at competitive prices and lower logistic expenditure (both on the transportation and storage). It enjoys good road, rail and air connectivity leading to better lead time and facilitating delivery of finished products in a timely manner.

Liquidity: Stretched

The liquidity of the firm remained stretched marked by negative cash flow from operations of Rs.70.24 crore and moderate utilization of its working capital limits. Utilization of working capital limits averaged at around 63% for the past 12 months ended November 2024. Hence, the firm had limited cushion in the form of unutilized CC and WHR limits, limiting its financial flexibility in case of any exigency. However, the firm had free cash and bank balances of Rs.22.33 crore as on March 31, 2024, and sufficient gross cash accruals in the range of Rs.9-10 crore as against debt repayment obligation of Rs.0.35-0.80 crore in FY25-FY27. The operating cycle of the firm remained comfortable at 16 days in FY24 (5 days in FY23).

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Pipariya (Madhya Pradesh) based Mahesh Traders (MT) was formed in 1990 as a proprietorship firm by Mr Mahesh Dudani and later in 2013 it was converted into partnership by adding Mr Manohar Dudani as a partner in MT. MT is engaged in the trading of food grains like rice, masoor, paddy, wheat, moong, etc. The unit of the firm is located at Pipariya, M.P. The firm sells its products in the brand name of 'Mahesh Traders, Pipariya' and caters to the domestic market. MT sells its products majorly in Gujarat, Rajasthan, Madhya Pradesh and Uttar Pradesh and Tamil Nadu.

The firm is currently managed by Mr. Mahesh Dudani, Mr. Manohar Dudani, Chandni Dudani and Sandhya Dudani.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	6MFY25 (UA)
Total operating income	875.36	1,545.71	294.07
PBILDT	14.55	19.13	NA
PAT	12.54	15.38	NA
Overall gearing (times)	0.68	4.50	NA
Interest coverage (times)	7.08	3.89	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	65.00	CARE BB+; Stable
Fund-based - ST-Working Capital Limits		-	-	-	101.50	CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	65.00	CARE BB+; Stable	1)CARE C; ISSUER NOT COOPERATING* (28-Nov-24)	1)CARE C; ISSUER NOT COOPERATING* (11-Oct-23)	1)CARE C; ISSUER NOT COOPERATING* (05-Sep-22)	1)CARE C; ISSUER NOT COOPERATING* (22-Jul-21)
2	Fund-based - ST-Working Capital Limits	ST	101.50	CARE A4+				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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