

## Khem Traders

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.01	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	18.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Khem Traders (KT) to monitor the rating vide email communications dated November 29, 2024, February 13, 2025 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, KT has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KT's bank facilities will now be denoted as CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The rating has been revised on account of non-availability of adequate information thereby leading to uncertainty around credit risk of the firm.

The rating assigned to the bank facilities of KT is constrained by the small scale of operation, volatile agro-commodity (paddy) prices with linkages to vagaries of the monsoon, regulated nature of the industry, partnership nature of constitution and intensely competitive industry.

However, the aforesaid constraints are partially offset by its experienced partners with satisfactory track record of operations, proximity to raw material sources and favourable industry scenario.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on April 04, 2024, the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Small scale of operation albeit increase in scale of operation in the last three years

KT is a relatively small player, with an installed capacity of 102,000 MTPA for rice/paddy processing. Accordingly, the scale of operation continued to remain small marked by TOI of around Rs.48 crore and net worth of around Rs.6.50 crore as on March 31, 2023. The small size deprives it from the benefits of economies of scale and restricts the financial flexibility of the firm in times of stress.

Financial risk profile of the firm remained modest albeit improvement in the last three fiscal years marked by total operating income (TOI) increased to around Rs.48 crore in FY23 from Rs.35 crore in FY21 mainly on account of MSP driven increase average sales realisation and sales volume during the same period. Also, operating margins remained largely steady which resulted in increase in PBILDT level to Rs.2.23 crore in FY23 from Rs.1.49 crore in FY21. PAT and GCA stood at Rs.0.78 crore and Rs.1.18 crore in FY23, respectively.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Partnership nature of constitution

KT, being a partnership firm, is exposed to inherent risk of partner's capital being withdrawn at time of his personal contingency and firm being dissolved upon the insolvency/retirement of the partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

### Regulated nature of the industry

The Government of India (GoI), every year decides a minimum support price (MSP) to be paid to paddy growers which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy of quota, depending on the target laid by the central government for the central pool. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profit margins are highly vulnerable.

### Intensely competitive industry

Rice milling industry is highly fragmented and competitive due to presence of many small players operating in this sector owing to its low entry barriers, due to low capital and technological requirements. Bhatapara and nearby districts of Chhattisgarh are major paddy growing area with many rice mills operating in the area. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability.

### Volatile agro-commodity (paddy) prices with linkages to vagaries of the monsoon

KT is primarily engaged in the processing of rice products in its rice mills. Paddy is mainly a 'kharif' crop and is cultivated from June/July to September/October and the peak arrival of crop at major trading centres begins in October. The cultivation of paddy is highly dependent on the monsoon. Unpredictable weather conditions could affect the output of paddy and result in volatility in price of paddy. In view of seasonal availability of paddy, working capital requirements remain high at season time owing to the requirement for stocking of paddy in large quantity.

### Key strengths

#### Experienced partners with satisfactory track record of operations

The firm is into rice milling industry since 2008 and thus has satisfactory operational track record. Both the active partners; Mr. Khem Prakash Kiri and Mr. Ajay Kiri is associated with the firm since its inception. They have more than two decades of experience in rice milling industry, looks after the day-to-day operations of the firm.

#### Proximity to raw material sources and favourable industry scenario

KT's plant is located at Dhamtari district of Chhattisgarh which is a paddy growing region resulting in lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices. Rice, being one of the primary food articles in India, demand is high throughout the country and with the change in life style and health consciousness; by-products of the same like rice bran oil etc. are in huge demand.

#### Satisfactory capital structure

The capital structure of the firm continued to remain satisfactory in the last three fiscals on the back of largely stable total debt level and gradual increase in network base attributable to accretion of profit to reserves. The overall gearing stood at 2.04x as on March 31, 2023, as against 2.23x as on March 2021. TDGCA stood at 12.06x as on March 31, 2023, vis-à-vis 18.95x as on March 31, 2021. Total debt of Rs.14 crore includes unsecured loan (USL) from partners' of Rs.10 crore.

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the firm and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Established in 2008, Khem Traders (KT) was promoted as a partnership firm by Mr Khem Prakash Kiri and Mr Ajay Kiri to set up a rice milling and processing plant in the state of Chhattisgarh. The firm has been engaged in milling and processing of rice at its plant located at Dhamtari, Chhattisgarh with an installed capacity of 102,000 MTPA. This apart, the firm also does custom milling for the state government of Chhattisgarh.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	35.27	47.74	24.29
PBILDT	1.76	2.23	-
PAT	0.48	0.78	-
Overall gearing (times)	2.55	2.04	-
Interest coverage (times)	1.31	1.52	-

A: Audited UA: Unaudited; 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		-	-	-	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	November 2023 <sup>^</sup>	0.01	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	18.00	CARE A4; ISSUER NOT COOPERATING*

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

<sup>^</sup>Already repaid. However, CARE did not receive no dues certificate for the same.

**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-Term Loan	LT	0.01	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (04-Apr-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (27-Jun-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Jun-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (01-Apr-21)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (04-Apr-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (27-Jun-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Jun-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (01-Apr-21)
3	Non-fund-based - ST-Bank Guarantee	ST	18.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (04-Apr-24)	1)CARE A4; ISSUER NOT COOPERATING* (27-Jun-23)	1)CARE A4; ISSUER NOT COOPERATING* (03-Jun-22)	1)CARE A4; ISSUER NOT COOPERATING* (01-Apr-21)

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

LT: Long term; ST: 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 - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	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

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Arindam Saha Director <b>CARE Ratings Limited</b> Phone: +91-033- 40181631 E-mail: <a href="mailto:arindam.saha@careedge.in">arindam.saha@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Gopal Pansari Associate Director <b>CARE Ratings Limited</b> Phone: +91-033- 40181647 E-mail: <a href="mailto:gopal.pansari@careedge.in">gopal.pansari@careedge.in</a>
	Roshan Agarwal Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Roshan.agarwal@careedge.in">Roshan.agarwal@careedge.in</a>

### About us:

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### Disclaimer:

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